



Daily Report

China

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Daily Report

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General

Foreign Official Contacts With Taiwan Opposed

OW1501103189 Beijing in Mandarin to Taiwan
1500 GMT 12 Jan 89

[Text] A Foreign Ministry spokesman said at a news briefing in Beijing on 12 January that China has always been resolutely opposed to the establishment of any official contacts with China's Taiwan Province by any country that maintains diplomatic relations with China. The spokesman said: We do not disapprove of ordinary nongovernmental economic contacts.

The spokesman made these remarks when answering a reporter's question on China's comment on Taiwan's plan to send a foreign trade delegation to the Soviet Union.

Newspaper 'Roundup' on Afghan Situation

HK1301125889 Beijing RENMIN RIBAO
in Chinese 13 Jan 89 p 6

["Roundup" by RENMIN RIBAO reporter Ren Yujun (0117 3022 7486): "Mysterious Cloud With Silver Lining—the Afghan Situation on the Eve of Complete Soviet Troop Withdrawal"]

[Text] Islamabad, 12 Jan—The Geneva Accords stipulate that Soviet troops should be completely pulled out of Afghanistan by 15 February 1989. The date is only a month away, but prospects for a political solution to the Afghan issue, which should become gradually clearer, have become complicated and confusing again. With all parties involved in the issue wanting to get some bargaining chips out of it, various contradictions have become intricate and complex:

—Talks between the Soviet Union and the resistance forces have hit one snag after another. From Al-Ta'if in Saudi Arabia to Islamabad in Pakistan, Yuliy Vorontsov, Soviet first deputy foreign minister and ambassador to Kabul, has held two rounds of talks with leaders of the Afghan resistance forces. People concerned with the Afghan situation placed their hopes on the Islamabad talks, but the talks broke up in discord. After the talks both parties shirked their responsibilities and attacked each other. The Soviet Union charged that the resistance forces would be responsible for any future bloodshed in Afghanistan. In a news statement after his return to Moscow, Vorontsov said that in view of the military situation in Afghanistan, the Soviet Union would probably be unable to withdraw its troops according to the schedule. The Afghan resistance forces indicated, however, that if the Soviet Union failed to pull out its troops unconditionally and insisted on having the People's Democratic Party of Afghanistan join the future government, the resistance forces would refuse to hold further talks with the Soviet Union and would continue the holy war through to the end.

—The Kabul regime has expressed discontent with the Soviet Union. The Kabul regime has always been dissatisfied with the Soviet Union's decision to open direct talks with the resistance forces. This, combined with the fact that instead of upholding its position during the talks for "national reconciliation with the Kabul regime playing the leading role," the Soviet Union has lowered its demand by asking the People's Democratic Party to "share power" in the future government, has made some people in the Kabul regime feel that the Soviet Union has been perfidious at the crucial moment and washed its hands of the business. Consequently, complaints can be heard everywhere. Secure in the knowledge that they have advanced weapons obtained from the Soviet Union, some people even want to bomb the resistance forces wantonly and indiscriminately. It is said that the Kabul regime has set up a new 500-member secret service to carry out sabotage against the resistance forces.

—There is no complete consensus within the resistance forces. It is reported that after the talks with the Soviet Union ended, the representatives of the Iran-based Shi'ite Muslim Eight-Party Alliance and the Pakistan-based Sunni Muslim Seven-Party Alliance held two rounds of talks in Islamabad. Disputes arose between the two parties on the distribution of seats in the future consultative assembly. The Seven-Party Alliance proposed giving 60 seats to the Eight-Party Alliance, but the latter wanted 120 seats. As a result, they failed to reach an agreement. Even within the Seven-Party Alliance, the question of leadership has not been solved, and the system of taking over the helm in turn every 3 months is still being used. For example, the delegation holding talks with the Soviet Union was headed by Burharuddin Rabbani in Al-Ta'if and by Mojadidi in Islamabad. There are also differing views within the Seven-Party Alliance on former King Mohammad Zahir Khan. A faction leader has also charged that there have been changes in the new Pakistani Government's Afghan policy.

Will these contradictions and differences obstruct a political solution to the Afghan issue or even lead to civil war? Observers here hold that a political solution to the Afghan issue is part of the general relaxation trend in the world, and that although there are complications, the trend is, after all, irreversible.

First, it is generally held that the Soviet Union will withdraw its troops on schedule. This is because the Soviet Union has promised to the whole world to do so, and earlier postponements of the troop withdrawal were carried out chiefly for the sake of the Kabul regime. After weighing the pros and cons, the Soviet Union will probably not try to save a little only to lose a lot. In its attitude toward holding talks with the resistance forces, there will probably be some changes. Since the Soviet Union is capable of changing its attitude from insisting

on a leading role for the Kabul regime in the future government to allowing the Kabul regime to become a minority faction, the Soviet Union is still likely to change its tactics.

Moreover, instead of insisting on solving the issue by force, the Afghan resistance forces have agreed to hold talks. One of the reasons for this is that they have gradually come to realize that overthrowing the Kabul regime by military force alone will cause more bloodshed for the Afghan people. Due to their limited military strength, the resistance forces can get the upper hand in fighting a guerrilla war, but they lack the ability to attack and defend towns. Gaining political power through a political solution would be the best alternative for them. They have agreed to absorb into the future government "Muslims who have given a good account of themselves" in the Kabul regime and to preserve a considerable proportion of representation for these people. This has undoubtedly provided some leeway for future talks. Mojadidi, the present chairman of the Seven-Party Alliance, will lead a delegation to Iran in the next few days to hold further consultations with the Eight-Party Alliance on strategies to be adopted in talks with the Soviet Union and to coordinate the resistance forces' views on the future government. As a Pakistani official put it, if both the Soviet Union and the resistance forces make some concessions, there will still be hope for a political solution to the Afghan issue.

Furthermore, the United Nations will take an active part in finding a political solution to the Afghan issue. Last November 159 member states unanimously passed a UN General Assembly resolution on solving the Afghan issue. UN Secretary General Perez de Cuellar indicated on many occasions that he believed that the Afghan people would be able to resolve their own problems without outside interference and that he was ready to exert all efforts to assist in finding a political solution to the Afghan issue. Benno Cyvan [ben nuo sai wan 2609 6179 1049 8001], his new representative on the Afghan issue, will fly to New York next week to talk with the secretary general on "how the United Nations will give play to its role so that the parties to the talks can understand each other."

"Just as the weary traveller despairs of finding a road, lo! A village appears, and the shade of willows and riotous flowers beckon." People hope that the Afghan issue can be solved peacefully at an early date.

Paper Urges Restraint in U.S.-Libyan Relations
HK1701104989 Beijing JIEFANGJUN BAO
in Chinese 6 Jan 89 p 4

[Article by Xu Lingeng (6079 2651 2704): "Why Did a Military Clash Again Occur Between the United States and Libya?"]

[Text] On 4 January two F-14 fighters from the aircraft carrier "U.S.S. John F. Kennedy" of the U.S. 6th Fleet shot down two Libyan MiG-23 fighters over Mediterranean waters north of the Libyan port of Tobruk. The

U.S. Department of Defense claimed that the U.S. aircraft, finding two Libyan planes approaching them "in a hostile manner," opened fire and shot them down "in self-defense." Libya claimed that the Libyan planes were downed when carrying out normal patrolling missions.

This new United States-Libya military clash at the very beginning of a New Year caused sudden tensions in the south Mediterranean. People cannot help but ask, when the Middle East situation was tending toward detente in 1988, why have relations between the United States and Libya become conspicuous again?

First, the worsened U.S.-Libyan relations is longstanding. Immediately following the 1969 victory of the Libyan revolution, Libya took back (Welles) Air Base—the largest U.S. military air base in the Middle East and the Mediterranean region; and abrogated nine military, economic, and technological cooperative agreements signed by the former king with the United States. Al-Qadhafi called the United States the "No 1 enemy" of Arab countries, and the United States threatened to "punish" Al-Qadhafi. In 1979 the two countries suspended relations. After Ronald Reagan assumed office in 1980 he adopted a tougher policy toward Libya. In August 1981 the U.S. 6th Fleet deliberately steamed across what Libya called the "line of death," which marked the northern boundary of the Gulf of Sidra 32.5 degrees north latitude, to induce Libyan aircraft to attack it and shot down two of Libya's Soviet MiG-22 fighters under the pretext of "self-defense." In March and April 1986, using the excuse that Libya supported terrorist activities, the United States launched two large-scale air raids on Libya, destroying two SAM-5 missile positions at the port of Surt and five military installations in Tripoli and Benghazi. In 1987, supported by Western countries including the United States, Chad's Habre regime successfully regained most of the country's northern territories, inflicting serious military setbacks on Al-Qadhafi. Although Al-Qadhafi relaxed relations with neighboring countries and expressed his willingness to hold dialogues with the United States to improve bilateral relations, the United States has all along not made any positive response.

Second, United States has recently threatened to attack Libya's chemical plant, thus further aggravating already tense relations between the two countries. On 21 December 1988 U.S. President Reagan claimed that Libya had a chemical weapons plant and the United States was studying, with its allies, the possibility of taking military actions against the plant. At that time a Pan Am Boeing 747 airliner was blown up by terrorists. Flying into a rage from shame, the United States was determined to take action. It dispatched a carrier battle group headed by the aircraft carrier "Theodore Roosevelt" from its area of operations to the Mediterranean and the carrier battle group headed by the aircraft carrier "John F. Kennedy" from the Naples base to cruise the south Mediterranean and conduct military exercises in the seas near Libya. In

face of U.S. military threats, Libya placed the whole nation on alert, strengthened national defense, and continuously sent its planes on patrol. It was in this tense climate that a military clash erupted once again between the United States and Libya in the skies over the Mediterranean Sea.

The U.S. Navy warplanes' downing of the Libyan fighters attracted the world community's grave concern. After the event, Al-Qadhafi claimed that he would "meet the challenge with a challenge" and retaliate against the U.S. act. A spokesman from the U.S. Department of Defense said that the event was finished and the current move had nothing to do with Libya's chemical weapons plant. However, the State Department spokesman continued to accuse Libya of having a chemical weapons plant 80 km away from Tripoli. After the event UN Secretary General Perez de Cuellar held urgent meetings with U.S. and Libyan UN representatives, expressing his regret over the event and his hope that both sides would exercise restraint to avoid aggravating the situation. Laden with anxieties over the development of the situation, all countries in the world universally hope that the parties concerned will exercise restraint so as to help maintain stability and peace in the region.

United States & Canada

U.S. Report Urges Stronger PRC Economic Ties
OW1501020389 Beijing XINHUA in English
0037 GMT 15 Jan 89

["Stronger Economic Ties With China in Post-Reagan Era Urged," by Qian Wenrong—XINHUA headline]

[Text] New York, January 13 (XINHUA)—A just published U.S. policy recommendation report has called on the new U.S. Administration to attach greater importance to the strengthening of U.S.-China economic relationship in the post-Reagan era in order to enhance the U.S. position in China and secure the major strategic benefit of improved Sino-American ties.

The report on "Economic Policy Toward China in the Post-Reagan Era," published by the National Committee on U.S.-China Relations as its first publication in the New Year of 1989, stresses that a growing economic relationship with China will make the Sino-American ties "more stable and durable."

"Failure to seize on the bilateral benefits from stronger economic ties could set the stage for weaker relations, with adverse consequences for stability in Asia and our strategic interests," it adds.

The report, written by Dr. Nicholas R. Lardy, a prominent specialist on the Chinese economy, on the basis of discussions at a national conference on China's development held in last August, says although the international environment has changed, "there remain common shared strategic interests between China and the United

States, most notably in maintaining regional security" and "each side needs to develop additional bases for sustaining and deepening the bilateral relationship."

According to the report, now being sent to members of the new Congress, China has emerged as a major economic power and trading country. China's trade volume has increased from less than 15 billion U.S. dollars on the eve of the start of its economic reform ten years ago to more than 82 billion dollars by 1987 and jumped further to 100 billion dollars in 1988.

The report also projects that while China is still poor in per capita terms, its huge billion-plus population and rapid overall economic expansion give it the potential to become a major world power in the early part of the twenty-first century.

In view of these new developments, the report says a clearer focus on economic policy toward China is essential if the United States is to compete successfully with Japan, Western Europe and South Korea as well as Taiwan as suppliers of key technologies, equipment and capital to the Chinese market.

"In strengthening our competitive position in China, we would be initiating policies of benefit to our economic position globally," the report adds.

Following are several policy recommendations put forward by the report:

—A major program of mixed credits that would provide trade finance for American exporters competitive with that now offered by all major industrial countries for sales to China;

—An expanded program of technical assistance to China in fields with high commercial potential, including more funding for feasibility studies and technical training for major projects in China that can lead to more U.S. exports;

—Modest budgetary funds specifically earmarked for selected cooperative programs in scientific and technical fields;

—Further liberalization of U.S. control on the export of civilian technology with potential military applications, especially "dual use" technologies that can be obtained by China from third countries;

—Congressional approval for the U.S. contribution to the third general capital increase of the World Bank;

—Active U.S. efforts to assure that China's accession to the General Agreement on Trade and Tariffs [name as received] (GATT) will ensure reciprocal market access.

The report also stresses the need for concerted action by the Chinese side.

To enhance the economic basis of the Sino-American relationship, the report says, the Chinese leadership must sustain its domestic economic reform to maintain an outwardly oriented development strategy, make specific changes in its foreign trade system to facilitate its entry into GATT, and enhance further the environment for foreign investment.

Sichuan Culture Interests American Students
OW1601093689 Beijing XINHUA in English
0647 GMT 16 Jan 89

[Text] Chengdu, January 16 (XINHUA)—Sichuan University is attracting an increasing number of overseas students, a university official said.

The students come because they admire Sichuan culture, he said.

Sichuan, located in southwest China, is known as the land of plenty. Its ancient history, customs, dialects, cuisine and minority residents are attractions for overseas students, he said.

One postgraduate from the drama department of the University of Hawaii in the United States has come to study Sichuan opera. She has now participated in two Sichuan operas herself.

Another American student, from the University of Washington is studying Su Shi, a noted ancient Chinese writer, who was born in Sichuan.

Yang Mingzhao, director of the Su Shi Study Society of China, led a group of students on a tour of places visited by Su Shi.

Soviet Union

Representatives Discuss Consular Affairs
OW1701123089 Beijing XINHUA in English
1213 GMT 17 Jan 89

[text] Moscow, January 17 (XINHUA)—Representatives of China and the Soviet Union held meetings on January 10-16 to discuss consular affairs between the two countries.

Both sides reviewed the implementation of Sino-Soviet consular accord, exchanged views on the treatment of their nationals residing in either country and put forward a number of positive suggestions in their future consular work.

The Chinese delegation arrived here on January 9 and flew home Monday.

'Roundup' Views Current Soviet Military Reform
HK1601034589 Beijing XINHUA Hong Kong Service
in Chinese 1440 GMT 15 Jan 89

[Roundup by reporter Zhu Chengjun (4555 2110 6511): "Soviet Military Circles and Reform"—XINHUA headline]

[Text] Moscow, 14 Jan (XINHUA)—Current Soviet reforms have touched various fields of state life, and of course, the Army is no exception.

Judging from some leading Soviet military figures' speeches and articles, the following three reform tasks are now being carried out in Soviet military circles, from the Ministry of Defense and General Staff Headquarters to grass-roots units, military academies, and munitions factories: 1) reducing the number of troops; 2) restructuring organizations; and 3) making military production serve civil production. Since a wide range of fields are involved and the three tasks have far-reaching influence, tugging at the heartstrings of thousands upon thousands of people, they have attracted popular attention in society.

In a speech at the UN on 7 December last year, Soviet leader Gorbachev announced that his country will reduce 500,000 troops unilaterally within the next 2 years and the number of its conventional weapons will also be greatly reduced. Marshal Akhromeyev, advisor to the chairman of the USSR Supreme Soviet Presidium and former Armed Forces Chief of General Staff, said in SOVIET RUSSIA today that the CPSU Central Committee and the government have authorized the Ministry of Defense to carry out this task. The ministry is now trying to work out the best plan by extensively pooling opinions of the masses in a democratic way. The Ministry of Defense will collectively carry out this great and complex task.

On the question of disarmament, some people are glad to hear it but some are not. This reporter visited some Soviet people and found that some of them were glad that their children may not serve in the army in the future, but quite a few others were apprehensive that national defense might be weakened because of this disarmament. To help remove all kinds of misgivings, Luobofu [3157 0590 1133], first deputy chief of the Armed Forces General Staff; and Arbatov, academician and Soviet U.S. specialist, recently published some newspaper articles emphasizing that the Soviet Army will attach more importance to quality in the future and that the unilateral disarmament will not make the Soviet Union lag behind in military affairs.

Some people have also put forth some bold ideas and suggestions. For example, some have proposed that the Soviet Union may dismiss or reduce half of its troops, and some proposed abolishing the existing compulsory military service system.

Like in other central departments, the Ministry of Defense is also carrying out organizational reform and personnel transfers in accordance with the instructions of Soviet leaders. This year the Soviet Union will appraise all army officers, which is scheduled once every 4 years. As this work will be carried out simultaneously with the disarmament, it will decide the future of large numbers of military officers. Deputy Minister of Defense Army General (Sukhorukov) [su hu o lu ke fu 5685 72027627 4430 1133] said in an article published by RED STAR today that the work will be carried out in two steps. The first stage is in the 1st half of this year, in which appraisals will be made on this year's graduates of all military academies and schools and all military officers (from battalion to division levels) who belong to the category of reduction mentioned by Gorbachev in his UN speech. Appraisals on all other military officers will be made in the second stage, that is, the 2d half of the year. The army general also disclosed that although the work concerning the transfer of military officers to civilian work is not a simple task, a reasonable arrangement will be made in accordance with their respective situations as far as possible.

According to Deputy Minister of Defense Army General Shabanov, although the Soviet Union has not done much theoretical work in turning military production into civil production, the work is still being carried out in practice. Yesterday he explained to many foreign reporters that because Soviet military factories are known to very few people and are not good at advertising, they are not well understood by the people. War products currently produced by these factories only constitute less than 50 percent of their total products. The rest are products for civil use and other daily necessities. He believed that disarmament is good for both the state and the people.

'Roundup' on Soviet-Israeli Rapprochement
OW1401043089 Beijing XINHUA in English
1601 GMT 12 Jan 89

["Round-up: Israeli-Soviet Rapprochement Slow But Steady," by Zhu Jiefei—XINHUA headline]

[Text] Cairo, January 12 (XINHUA)—A quiet, prudent, and steady rapprochement is underway between the Soviet Union and Israel, though there is little indication of a renewal of the diplomatic ties which were broken after the 1967 Middle East war.

An Israeli professional basketball team is now in Moscow to play in the first such game since [date indistinct].

The Soviet Government granted visas for 175 [word indistinct] for the game.

Cultural diplomacy has also been under way, including the recent visit of Soviet musicians and poets to Israel.

Jewish emigration from the Soviet Union reached a record figure of nearly 20,000 last year, and as many as 10,000 Soviet Jews were reported to have visited relatives in Israel since last spring.

Immigrants from the Soviet Union in Israel have increased to 250,000, according to the latest figure.

Israeli Foreign Minister Moshe Arens attributed Soviet relaxation of the Jewish emigration policy to the Soviet Union's increasing desire to play a strategic role in any Middle East peace settlement.

Israel had set as a condition for Soviet involvement in the Mideast peace process, an increase in Jewish emigration and greater freedom for Jewish religious practices in the Soviet Union.

There was also a demand for full restoration of diplomatic relations between the two countries.

Soviet Foreign Minister Eduard Shevardnadze said in Paris last Saturday that his country regards the stepping-up of Soviet-Israeli ties as a way to enhance the Soviet Union's role in settling the prolonged Arab-Israeli conflict.

After meeting with his Israeli counterpart, Arens, during the Paris international conference on chemical weapons, Shevardnadze told the press that Moscow decided to upgrade the status of an Israeli consular delegation in Moscow, and to include political matters in its range of activities.

This implied that both Soviet and Israeli consular delegations in each other's capitals would become de facto permanent diplomatic missions.

However, Shevardnadze reiterated that the Soviets will see to a renewal of Soviet-Israeli diplomatic ties only after a solution of the Middle East problem has been reached.

The steadily increasing contacts between both countries have so far been confined to the nonofficial level.

Northeast Asia

Commentary Notes 'Important' DPRK Proposal
SK1301124289 Beijing International Service
in Korean 1100 GMT 9 Jan 89

[Commentary: "An Important Proposal To Realize the Peaceful Reunification of Korea"]

[Text] In his New Year's address delivered on the first day of the New Year President Kim Il-sung, leader of the Workers' Party of Korea [WPK] and the state, solemnly proposed to hold a political consultative meeting, in which political parties and leaders from all walks of life in the North and South would participate at the earliest

possible date to discuss the question of Korea's peaceful reunification. He invited the president of the South Korean ruling Democratic Justice Party; the presidents of the Party for Peace and Democracy, the Reunification Democratic Party, and the New Democratic Republican Party, which are South Korean opposition parties; and distinguished figures from all walks of life to participate in the meeting.

This is another important proposal that President Kim Il-song has put forward for the independent and peaceful reunification of the country. It has not only aroused repercussions among all of the Korean people, but also wins support from many different countries with each passing day.

Since last year, in a bid to ease the tense situation on the Korean peninsula, to achieve national reunification, and to provide conditions favorable for the country's reunification, the WPK and the Government of the Republic have put forward four principles for peace and an all-inclusive peace proposal. However, only contacts of parliamentary delegates from the North and South, to prepare for a North-South joint parliamentary meeting, have been made.

In the seven rounds of contacts between parliamentary delegates of both sides that were held in the past 4 months, an agreement was reached only on the issue of the form of meeting, but no progress was made in the essential issues. These results were, on the one hand, due thanks to the efforts of the delegates from both sides and, in particular, to delegates of the North side.

On the other hand, the results of the talks so far show that the situation is not conducive to the demands of political development.

As early as 1980 President Kim Il-song put forward a proposal for founding the Democratic Confederal Republic of Koryo, the best way for reunifying Korea. As the development of history proves, this proposal has very great vitality.

Korea's reunification is the trend of the development of history and is the people's aspiration. If representatives of the North and South sides sit together with sincerity and earnestly hold a dialogue and negotiations, while rejecting the interference of foreign forces, the goal of the peaceful reunification of Korea will be eventually achieved smoothly.

Japan's Takeshita Meets Friendship Delegation
OW1501124889 Beijing Domestic Service in Mandarin
1700 GMT 13 Jan 89

[From the "International News and Current Events" program]

[Text] At a meeting with a China-Japan Friendship Association delegation led by Sun Pinghua in Tokyo on 12 January, Japanese Prime Minister Takeshita said:

The maintenance of friendship and peace between Japan and China is significant to world peace. He said: The relationship between Japan and China has entered a new era. The Japan-China Joint Communique and the Treaty of Peace and Friendship between Japan and China worked out by the leaders of the older generation of the two countries are still the guidelines for the two countries to follow in developing their friendly relations. As in the past, Japan will continue to respect and uphold these guidelines.

Sharp Drop in Machinery Imports From Japan
HK1701071989 Beijing ZHONGGUO XINWEN
5:41E in Chinese 0385 GMT 13 Jan 89

[Report: "Japanese Machinery Exports to China Decrease Drastically"]

[Text] Tokyo 13 Jan (ZHONGGUO XINWEN SHE)—There was a sharp decline in Japan's machinery exports to China with the total amount for the first 10 months of last year accounting for only 62 percent of that for the corresponding period year before last, according to statistics.

As reported by newspapers here, Japan's machinery exports to socialist countries was on the decrease last year, with total exports amounting to \$10.3 billion, of which \$3 billion were machinery exports to China, down 70 percent as compared with the same period year before last.

Public opinion here attributed this decrease to the Toshiba incident 2 years ago. Public opinion maintained that Japan's export trade sagged on account of the strict control exercised by the Japanese Government over exports to socialist countries.

Japan's Ministry of International Trade and Industry recently indicated that Japan will relax its restrictions on exports of materials and technology to China in 1989, whereby the procedures for enterprises to apply for export licences will be simplified as of April and the "administrative exemptible commodities" (xing zheng li wai shang pin 5887 2398 0173 1120 0794 0756) will increase by 20 to 30 percent from the existing 50 species.

Tianjin Investment Company Issues Bonds to Japan
HK1601134189 Beijing CEI Database in English
16 Jan 89

[Text] Tokyo (CEI)—Tianjin International Trust and Investment Corporation (TITIC) issued bonds of 10 billion Japanese yen in Japan in late December, 1988.

The bonds for a term of ten years bears an interest rate of 5.1 percent.

Nikko Securities Corporation Ltd. acts for TITIC as general agency and the Industrial Bank of Japan Ltd. as its main agent bank.

Southeast Asia & Pacific

SRV Deputy Foreign Minister To Hold Talks

Paper Previews Visit

HF1401014489 Hong Kong TA KUNG PAO
in Chinese 14 Jan 89 p 2

["Political Talk" Column by Shih Chun-yu: "Vietnamese Deputy Foreign Minister To Visit China To Discuss Cambodian Situation"]

[Text] Since Thai Foreign Minister Sitthi visited Hanoi optimism has appeared in Bangkok regarding the Cambodian situation. The next step is a direct dialogue between China and Vietnam. According to foreign press agencies, Vietnamese Deputy Foreign Minister Dinh Nho Liem went to Bangkok yesterday (13th) and will then go on to Beijing (another report says he will go to Beijing at the beginning of February). The Vietnamese Embassy in Bangkok would neither confirm nor deny these reports. In light of certain new moves, it cannot be said that the reports of Dinh Nho Liem's visit to China are entirely without foundation.

If Dinh Nho Liem goes to Beijing, this will be the first direct dialogue at senior diplomatic level between China and Vietnam for 10 years, and it is to be supposed that this could not take place if there were no hopes for reaching a certain basis for harmony. The Cambodian issue is the main obstacle between China and Vietnam. According to a Democratic Kampuchea broadcast monitored in Bangkok, Ranarit (the son of Prince Sihanouk), leader of the Sihanouk faction of the three Democratic Kampuchea factions, said that "China and Vietnam will hold talks at deputy foreign minister level. The direct dialogue between China and Vietnam will be a step forward in resolving the Cambodian problem."

Deputy foreign minister level talks between China and Vietnam on normalizing relations were broken off in December 1979, following border clashes between the two countries. However, at the Sino-Soviet foreign ministerial talks in Moscow in December 1988 the Soviet Union expressed to PRC Foreign Minister Qian Qichen the hope that China and Vietnam would resume their dialogue. The Chinese side reversed its attitude held for the previous 10 years by indicating that "it would consider a resumption of talks at an appropriate time."

China's willingness for direct talks with Vietnam was made known after Vietnam announced it would withdraw all its forces from Cambodia by the end of September. However, Hanoi also emphasized a precondition—political solution to the Cambodian problem.

However, according to Thai Foreign Minister Sitthi's remarks to newsmen on returning to Bangkok from Vietnam on 12 January, Vietnamese forces will be withdrawn by the end of September even if a political solution has not been achieved. He also said that it was Vietnamese Foreign Minister Nguyen Co Thach who informed him of this. This shows that Vietnam has switched from conditional to unconditional on the troop withdrawal issue. Hanoi authorities have yet to confirm this. Of course, the Chinese and Vietnamese deputy foreign ministers will also hold earnest negotiations [ren zhen jiao she 6072 4176 0074 3195] on this issue.

Political talks are in fact another form of struggle. A deadlock may occur at any time, whether there is direct dialogue at deputy foreign ministerial level or a future dialogue at foreign ministerial level, and whether the dialogue is official or unofficial.

Beijing diplomats in Eastern Europe have reported that Soviet Foreign Minister Shevardnadze is scheduled to go to China on 2 February for a 3-day visit. This is the first time a specific date has been given for the Soviet foreign minister's visit. Discussions will focus on two issues during his visit: First, the Cambodian situation; second, a Sino-Soviet summit. That Vietnamese and Soviet Foreign Ministry officials will visit Beijing indicates that at least Cambodian developments are entering a new stage.

In the final analysis, so long as Vietnam unconditionally withdraws its forces from Cambodia and allows the Cambodian people to resolve their problems themselves, China will naturally appreciate this and will also cease aiding Democratic Kampuchea [as published]. Formerly, Vietnam consistently refused to withdraw its forces unconditionally, but there have now been major changes in the international climate regarding the Cambodian situation, which Hanoi needs to meet. Proof of this is the recent Vietnamese invitation to the Thai foreign minister to visit Vietnam and the smooth progress of their talks.

In addition, the deputy chief editor of NHAN DAN, an organ of the Vietnamese Communist Party, said on 12 January in a talk with a Japanese journalist on the prospects for normalizing relations with China, that "the time is not too far off." Judging by these moves, there are indeed "moves" afoot in Sino-Vietnamese and Sino-Soviet relations regarding the Cambodian situation.

Arrives in Beijing

BK1401120089 Hong Kong AFP in English 1151 GMT
14 Jan 89

[Text] Beijing, Jan 14 (AFP)—Vietnamese Deputy Foreign Minister Dinh Nho Liem arrived here Saturday for the first visit to China by a senior Vietnamese official in more than a decade, Vietnamese sources said here.

Mr. Liem, who arrived from Bangkok on board an Air China flight, was welcomed at the airport by his Chinese counterpart, Liu Shuqing, witnesses said.

The visit had not been announced by Beijing or Hanoi but diplomats here said it could herald a thaw in relations between the two countries.

Foreign correspondents at the airport did not see Mr. Liem. But a Vietnamese source, asked to confirm the arrival of the deputy minister, said: "you have judged correctly."

Several cars of Vietnamese diplomats were seen near the airport and there was unusually high activity at the Vietnamese Embassy here.

Diplomats said Mr. Liem's visit, expected to last a week and to be centred on the Cambodian conflict, would be aimed at arranging a meeting in the next few months between Chinese Foreign Minister Qian Qichen and his Vietnamese counterpart Nguyen Co Thach.

China and Vietnam, former allies that used to say they were "as close as lips and teeth," had a falling out following Vietnam's December 1978 invasion of Cambodia to topple the Beijing-backed Khmer Rouge regime in Phnom Penh.

In early 1979, China retaliated by launching a brief but bloody border war against Vietnam's northern provinces.

Talks To Begin 16 Jan

OW1501120689 Tokyo KYODO in English
1144 GMT 15 Jan 89

[Text] Beijing, Jan. 15 KYODO—China and Vietnam will begin unofficial talks between high-ranking government officials Monday to seek settlement on the 10-year-old Kampuchean war, Eastern sources said Sunday.

The meeting between Vietnamese First Deputy Foreign Minister Dinh Nho Liem and his Chinese counterpart, Deputy Foreign Minister Liu Shuqing, is expected to last several days, the sources said.

Liem's visit is shrouded in secrecy. Both Chinese and Vietnamese officials would not even confirm that Liem is in Beijing, and Chinese newspapers have kept silent on the visit.

The meeting is being kept secret due to a firm Chinese request, an Eastern source said.

It is the first meeting in nine years since both countries ended two rounds of talks in failure in December 1979 following their border war.

The Chinese Government has accepted the visit of Liem to China on condition that the two countries would exclusively discuss the Kampuchean problem to seek an end of the civil war, being waged between the Vietnamese-backed Heng Samrin government and three-party coalition antigovernment forces, the sources said.

They said China's acceptance of the meeting had reflected its positive evaluation of a Hanoi announcement last week that it will complete its troop withdrawal from Kampuchea by September this year.

Vietnam had originally hoped to include issues on border and territorial conflicts—Nansha and Xisha [Spratly and Paracel] Islands in South China Sea—in the meeting between Liu and Liem, the sources said.

The sources also said Hanoi had hoped to improve relations between the two countries as early as possible and send its foreign minister, Nguyen Co Thach, for a visit to China.

Stays at Guesthouse

HK1501054889 Hong Kong AFP in English 0540 GMT
15 Jan 89

[Text] Beijing, Jan 15 (AFP)—Vietnamese First Deputy Foreign Minister Dinh Nho Liem is staying at a residence for guests of the government although his visit has not been officially announced, an informed Vietnamese source said here Sunday.

Mr Liem, the most senior Hanoi official to visit China since the two countries fought a border war in 1979, is to begin talks with Beijing officials Monday, the source said.

The visit, focussed on finding a compromise on Cambodia and on normalisation of relations between Vietnam and China, is expected to last about a week, the source said.

Mr Liem is expected to have talks with his Chinese counterpart Liu Shuqing, who specialises in Southeast Asian affairs and who met Mr Liem at the airport on his arrival here Saturday.

The fact that Mr Liem is staying at the Diaoyutai state guest house, and not at the Vietnamese Embassy means that the two sides can preserve the privacy of the talks, as foreign journalists are not allowed to enter the residence without special authorisation, observers said.

Western diplomats believe Mr Liem's visit is also designed to prepare a visit here, possibly before mid-year, by Vietnamese Foreign Minister Nguyen Co Thach to normalise relations.

Spokesman Confirms Arrival

*OW1601071989 Beijing XINHUA in English
0631 GMT 16 Jan 89*

[Text] Beijing, January 16 (XINHUA)—First Deputy Foreign Minister Dinh Nho Lien of Vietnam is now in Beijing for private consultations with Chinese Vice-Foreign Minister Liu Shuqing on a political settlement of the Kampuchean question, a Chinese Foreign Ministry spokesman said here today.

The spokesman confirmed this today in response to questions by reporters who asked whether China and Vietnam would hold talks in Beijing recently.

The spokesman said the Vietnamese first deputy foreign minister arrived here on January 14.

Normalization of Ties Expected

*HK1701060089 Hong Kong AFP in English 0555 GMT
17 Jan 89*

[Text] Beijing, Jan 17 (AFP)—Talks now underway here between China and Vietnam will likely help lead to normalized relations between the two countries more quickly than those between Beijing and the Soviet Union, a well-placed Vietnamese source said Tuesday.

Vietnamese First Deputy Foreign Minister Dinh Nho Liem and his Chinese counterpart Liu Shuqing had "had talks concerning bilateral relations as well as other issues of mutual concern," according to another source, a high-ranking Vietnamese diplomat.

The discussions, involved some 14 people, including the two deputy ministers and six members from each delegation, he added. The talks lasted almost the entire day Monday and are expected to continue until the end of the week.

"This time, the conditions are more favorable and we are optimistic. We hope for better relations in the future," the source, who preferred to remain anonymous, said.

Efforts at normalizing Sino-Soviet relations first started in 1982 and may finally reach fruition this year, but attempts by China and Vietnam to put their diplomatic relations on a better footing will probably take less time, the diplomatic source explained.

"Not all the problems can be solved in one or two rounds of talks but at least we arrived at the same conclusion: we need peaceful coexistence in order to reconstruct our countries," the source added.

Mr. Liem is the highest-ranking Vietnamese to visit Beijing since the two countries fought a brief but bloody war in early 1979, when China vowed to "teach Vietnam a lesson" for its December 1978 invasion of Cambodia that overthrew the Chinese-backed Khmer Rouge.

Western diplomats say the talks now taking place between China and Vietnam are due in large part to recent Soviet diplomacy, which appears to have convinced Beijing that Vietnam's promise for a total troop withdrawal from Cambodia by September 1989 was sincere.

"Both sides want to restore relations of friendship. Of course, not like those in the 50s and 60s when we were comrades in arms," the source added.

China hopes to take advantage of these discussions to obtain guarantees of a total Vietnam troop withdrawal by September while Vietnam is looking for similar assurances that China will gradually diminish its military aid to the Khmer Rouge resistance, diplomats have said.

Red Cross Visits Captured SRV Soldiers

*OW1601073389 Beijing XINHUA in English
0634 GMT 16 Jan 89*

[Text] Zhanjiang, January 16 (XINHUA)—Three officials from the International Red Cross Committee expressed satisfaction over the medical and living conditions provided by the Chinese Government for nine captured Vietnamese military personnel at a collecting house in Zhanjiang.

The nine were on their last gasp when they were salvaged from sea waters by Chinese Navy men after a clash around south China's Nansha [Spratly] Islands on March 14, 1988.

During the three days' stay in the collecting house, the three officials, including the committee's representative to East Asia Jean-Francois Olivier and Doctor Michel Huber, visited the dormitories, canteen, clinic and recreation halls, and inquired about the food and medical treatment.

Doctor Michel Huber observed that Chinese Army doctors provide prompt medical treatment to the captured Vietnamese military personnel, which conforms with the Geneva Convention for the amelioration of the condition of the wounded and sick in armed forces in the field.

In addition to adequate food and clothing, the captured personnel were organized to go sight-seeing in the city and local scenic spots and allowed to celebrate traditional Vietnamese festivals, said a collecting house official.

After 10 months' stay in the house, the average weight of the nine Vietnamese personnel grew by four kilograms, the official added.

All the Vietnamese personnel have written letters to their families, sent with the help of the International Red Cross.

Nearly 10,000 SRV Refugees Transit Guangxi
HK1701045389 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 0727 GMT 14 Jan 89

[Report: "Close to 10,000 Vietnamese Refugees Passed Through China's Beihai City Last Year"]

[Text] Nanning 14 Jan (ZHONGGUO TONGXUN SHE)—Recent statistics prepared by the Beihai City general office responsible for reception and resettlement of refugees from Indochina show that a total of 355 boats carrying 8,439 Vietnamese refugees belonging to 3,094 families arrived at the port city of Beihai, Guangxi, in 1988 on their way to a third country.

Many Vietnamese refugees risked their lives in order to make a living in a third country. They were traveling by worn-out boats, braving the storm and tossed about by the waves. Quite a lot of boats leaked and the propellers were out of order due to the storm resulting in the boats sinking and people drowning. Three boats were found in distress in 1988 in the area off of Jiangping to Qisha in Fangcheng County, Guangxi; and the Vietnamese boat people were rescued by Chinese fishermen and sent to Beihai City.

An investigation shows that of the numerous Vietnamese refugees there are government cadres, engineers, doctors, teachers, college students, workers, farmers, fishermen, servicemen, ex-servicemen, and so on from various cities and provinces in South and North Vietnams. There are among them old men exceeding age 80 and children at the breast, but most of them are young and middle-aged. They have different experiences and are refugees for many reasons, but they have one thing in common: The Vietnamese people increasingly live in poverty due to economic depression and inflation.

Near East & South Asia

USSR's Shevardnadze Surprise Afghanistan Visit

Arrival Noted

OW1501085089 Beijing XINHUA in English
0726 GMT 14 Jan 89

[Text] Islamabad, January 14 (XINHUA)—Soviet Foreign Minister Eduard Shevardnadze arrived in Kabul yesterday for a previously unannounced visit to Afghanistan, according to a report reaching here today.

However, the report gave no details about Shevardnadze's surprise visit.

The Soviet foreign minister's visit to Afghanistan took place one month before Moscow is due to complete the withdrawal of its troops from that country.

Under the United Nations-mediated Geneva Accord on the Afghanistan issue last April, the Soviet Union, which invaded Afghanistan in December 1979, has agreed to pull out its 115,000-man force from the country by February 15.

Half of the Soviet troops have been withdrawn from Afghanistan by August 15 last year.

Soviet First Deputy Foreign Minister Yuliy Vorontsov said earlier this week that Moscow might not be able to keep to the withdrawal deadline.

Vorontsov, who is also Soviet ambassador to Kabul, has met exiled former Afghan King Zahir Shah and held two rounds of talks with the Afghan resistance forces during the past few weeks in an attempt to forge an agreement on a broad-based government in Kabul.

Afghan resistance leaders broke off talks with Vorontsov on January 9, saying that there would be no more negotiations until all Soviet troops had left the country.

They have rejected Moscow's stand that the Soviet-backed Kabul regime should be included in a future government in Afghanistan.

Recently, Soviet officials have said in Moscow that the Soviet Union would adhere to the provisions of the Geneva Accord.

Observers here hold that the Soviet commitment for the total withdrawal of its troops is to be tested during the next few weeks.

'Roundup' Views Visit

OW1601032089 Beijing XINHUA in English
0257 GMT 16 Jan 89

["Roundup: Shevardnadze's Important Visit to Afghanistan;" by Wang Xianju—XINHUA headline]

[Text] Moscow, January 15 (XINHUA)—Soviet Foreign Minister Eduard Shevardnadze made a surprise two-day visit to Kabul, which ends today, to complete preparations for the Soviet troop withdrawal and to pledge continued Soviet support of the Kabul regime.

The Soviet foreign minister's visit drew much attention as the February 15 deadline for the Soviet Union to pull out its remaining 50,000 troops from Afghanistan under the Geneva accords draws near.

Last November, the Soviet Union suspended withdrawal of the remaining troops. Soviet Ambassador to Afghanistan Yuliy Vorontsov warned on January 10 that it was still too early to talk about the deadline for the Soviet troop withdrawal.

But Shevardnadze told the Afghan BAKHTAR NEWS AGENCY January 15 that his country will not delay its troop withdrawal, adding, "we are striving for the withdrawal to facilitate the re-establishment of peace and not to be a signal for new fighting."

Shevardnadze also vowed that the Kremlin would continue to supply the Afghan army with weapons and supplies after the pullout of Soviet troops is completed.

He also pledged continued Soviet support to the Kabul regime if civil war breaks out in Afghanistan after the Soviet troop withdrawal.

Meanwhile, the commander of Soviet forces in Afghanistan said in a television interview broadcast Sunday that all his troops will leave the country on schedule by February 15.

The Soviet Union has suffered heavy losses since it sent troops to Afghanistan nine years ago. Soviet leader Mikhail Gorbachev seems determined to cut these losses by withdrawing the troops.

The other noteworthy aspect of Shevardnadze's Kabul trip was the emphasis he placed on the importance of unity within the People's Democratic Party, the leading party in the Kabul regime.

The Soviet foreign minister talked individually with many senior officials in the Kabul regime, in addition to "President" Mohammad Najibullah, the "prime minister" and "foreign minister."

Shevardnadze urged the People's Democratic Party to unite with the other forces.

Meanwhile, he said the door is still open for negotiation with the Afghan resistance forces, which have refused to hold any new negotiations with the Soviet Union before the troop withdrawal is complete.

Over the past month the Soviet Union has talked with the Afghan resistance forces in an attempt to form a coalition government in Kabul.

Visit Concluded

OW1501125989 Beijing XINHUA in English
1212 GMT 15 Jan 89

["Roundup: Shevardnadze's Unexpected Visit to Kabul," by Tang Shuifu—XINHUA headline]

[Text] Islamabad, January 15 (XINHUA)—Soviet Foreign Minister Eduard Shevardnadze concluded his two-day surprise visit to Afghanistan on Saturday with Moscow's reassurance to continue to back the Kabul regime while seeking a solution to the Afghan conflict.

Shevardnadze arrived in Kabul on January 13 on an unannounced visit amidst strict security measures in the Afghan capital. Prior to the visit, Soviet officials or media did not disclose any information about the foreign minister's tour.

During his stay in Kabul, Shevardnadze was reported to have held talks with head of the Kabul Regime Najibullah and Foreign Minister Abdul Wakil. But they were tightlipped about the details of the talks.

The Soviet foreign minister is said to have reassured them that Moscow would continue to extend all-round assistance under treaties and agreements signed by both sides.

The Soviet and Kabul regime officials have reaffirmed their support to Soviet leader Mikhail Gorbachev's proposals at the United Nations last month, which propose a ceasefire in Afghanistan by January 1 and the dispatch of a U.N. peace-keeping force, pending formation of a broad-based government in that country.

But Gorbachev's proposals were rejected by the Afghan resistance forces who have vowed to continue armed struggle until the total pullout of the Soviet troops from Afghanistan and the downfall of the Moscow-installed Kabul regime.

Shevardnadze's visit to Kabul took place one month before Moscow is due to complete the withdrawal of its troops from Afghanistan.

Under the U.N.-mediated Geneva Accord on Afghanistan last April, the Soviet Union, which invaded that country in December 1979, has agreed to pull out its 115,000-man force from the country by February 15. By August 15 last year, half of the Soviet troops had been withdrawn from Afghanistan.

Soviet First Deputy Foreign Minister Yuliy Vorontsov said earlier this week that Moscow might not be able to keep to the withdrawal deadline.

However, recent reports said that the remaining Soviet troops in Afghanistan have secretly stepped up their withdrawal and will complete the pullout by the end of this month, more than two weeks ahead of schedule.

It is believed that Moscow wants to keep to its words but is concerned about the failure to come to an agreement with the Afghan resistance over the formation of a broad-based government in Afghanistan.

Before Shevardnadze's visit to Kabul, the Soviet Union had stepped up contacts with different Afghan factions for a solution to the Afghan crisis.

Vorontsov, who is also Soviet ambassador to Kabul, has held two rounds of direct talks with the Afghan resistance forces in Saudi Arabia and Pakistan respectively on how to form a future government in Afghanistan.

The talks broke off as the two sides differed greatly over the induction of the Afghan ruling party into a future set-up in the country.

The Soviets insisted that the future Afghan Government would include the People's Democratic Party of Afghanistan (PDPA) headed by Najibullah. But the Afghan resistance forces have insisted that the PDPA cannot be accepted in any future government as it is guilty of committing genocide in Afghanistan.

The resistance forces have planned to form a 480-member shoora (consultative council), which will be represented by resistance leaders, guerrilla commanders, refugees, intellectuals and tribal elders, to oversee the transfer of power.

Observers here hold that if a broad-based government acceptable to all Afghan factions cannot be formed by the time the Soviet Union completes its troop pullout, bloodshed is likely to continue in that war-torn country.

Paper Reviews Visit by India's Rajiv Gandhi
OW1501011289 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 1, 2 Jan 89 pp 7 - 8

[Article by Chai Shikuan (2693 0013 1401): "The Second Handshake—On Indian Prime Minister Rajiv Gandhi's Visit to China"]

[Text] Chinese State Council Premier Li Peng warmly shook the hand of visiting Indian Prime Minister Rajiv Gandhi at a welcoming ceremony held in the central main hall of the Great Hall of the People at 1000 on 19 December 1988. This historical scene, which became the focus of world attention, indicates the reuniting of 1 billion Chinese and 800 million Indians after years of estrangement and that the two big countries in Asia once again shake each other's hands in a friendly way.

China and India got along with each other peacefully back in the 1950's. They had close contacts between them then. The China visit made by then Indian Prime Minister Nehru, grandfather-in-law of Rajiv Gandhi; and Premier Zhou Enlai's trip to India in 1954 promoted friendly relations between the two countries to a peak. The first handshake between the Chinese and Indian peoples in modern history also gave birth to the world famous five principles for peaceful coexistence. However, good times do not last long. Armed conflicts over boundary questions occurred in the border areas in 1962. Chinese-Indian relations began to cool and they have been estranged from each other ever since then.

China and India are close neighbors that share a common border of nearly 2,000 kilometers. However, after relations between the two countries deteriorated, both sides "did not get in touch with each other until the day of death, even though the sound of fowls and dogs from the other side is within earshot." During his meeting with Rajiv Gandhi on 21 December Chairman Deng Xiaoping said: "Both China and India should forget about the unpleasant past in their relationship and should focus all their attention on the future." These words express the aspirations of the peoples of China and India, between whom a traditional friendship and a history of cultural contacts have existed for 2,000 years. People in China have always hoped to renew friendship with India. The call by people of various circles in India for friendship with China has been on the rise in recent years, too. Internationally, the trend of tension turning to detente and of dialogue taking the place of confrontation is gaining momentum. China is quickening its pace to improve relations with neighboring countries. It was the combined force of these active factors that prompted Rajiv Gandhi's China visit. Public opinion in India maintains that it is the most important diplomatic move that he has made in the 4 years since he became head of state.

It was a highly efficient visit. Rajiv Gandhi held official talks with Li Peng precisely 2 hours after his arrival in Beijing. The talks lasted for almost 1 whole day. On 22 December, when Rajiv Gandhi was leaving Beijing visit other areas, Li Peng, who came to see him off at the guesthouse, talked with him again for more than 10 minutes in a small hall. During his 3-day stay in Beijing, Rajiv Gandhi spent over 10 hours with several Chinese leaders on separate occasions. Both sides frankly exchanged views in depth on Sino-Indian relations as well as the international situation.

The biggest obstacle to improving Sino-Indian relations is the boundary question left over by history. In recent years a total of eight rounds of talks have been held on the issue between officials of the two countries, without achieving any substantial progress. Through the talks between Rajiv Gandhi and Chinese leaders, China and India have reached some understanding on the boundary question. Both sides have agreed to consult with each other about a solution to the boundary question through peaceful and amicable means. While seeking a mutually acceptable solution to the boundary question, both sides will work vigorously to develop relations in other fields and endeavor to create an atmosphere and condition conducive to a reasonable solution of the boundary question. Under this precondition both sides will take some measures, including setting up a joint work group at the deputy foreign ministerial level. This group's tasks are making proposals on how to solve the boundary question and maintaining peace and tranquility at the areas of real phase line [kong zhi xian 2235 0455 4848] before the boundary question is solved. In addition, both sides will form joint groups at the ministerial level for economics, trade, and science and technology cooperation between the two countries.

During the talks the Chinese side stressed that the boundary question can be reasonably solved through friendly consultations and by joint efforts of China and India, so long as both sides work toward attaining this objective in the spirit of mutual understanding and accommodation.

The Tibetan separatists have frequently conducted political activities in India aimed at disrupting national unity and opposing reunification of the motherland. The Chinese Government and people cannot but be aroused to serious concern about these activities. The Chinese leadership expressed concern about this problem to the Indian side during their talks. On this issue Rajiv Gandhi reaffirmed the Indian Government's stand that Tibet is an autonomous region of China and that the Indian Government will not allow these Tibetans to conduct political activities against China.

The leaders of the two countries also clarified their common understanding of and differences over other areas in Sino-Indian relations and international issues, increased mutual understanding, and improved the atmosphere through a series of talks.

China and India are the initiators of the five principles for peaceful coexistence. Regrettably, these principles, which are generally appreciated and praised by the international community, were not carried out in dealing with Sino-Indian relations over the years. Chinese leaders and Rajiv Gandhi maintained that Sino-Indian relations should be handled in accordance with the five principles for peaceful coexistence. Furthermore, they advocated these principles as a foundation upon which a new international political order should be established. The Chinese side stressed that the total population of China and India accounts for more than one-third of that of the whole world and that, as such, the two countries share common responsibilities for mankind. China and India should take the lead in observing and implementing the five principles for peaceful coexistence. The two countries should observe these principles not only in their mutual relations, but also in their contacts with their respective neighboring countries. Their success in observing these principles would mean that they have made contributions to safeguarding peace in Asia and the world as well.

Both China and India are economically and culturally backward. They shoulder a heavy burden of population and are faced with the arduous tasks of developing the economy and culture and improving the people's living standards. Therefore, the two countries should work vigorously to expand economic, science and technological, and cultural cooperation. It is of vital importance that they should learn from the other's strong points to offset one's own weaknesses and exchange their experiences. During Prime Minister Rajiv Gandhi's visit to China the two sides signed plans for implementation of an agreement on scientific and technological cooperation, an agreement on civil air transportation, and an

agreement on cultural cooperation. These, plus the cooperation and contacts in these fields and trade between the two countries in recent years, are only a beginning. The prospect for development is very broad.

Prime Minister Rajiv Gandhi said that during his 5-day official visit a "foundation has been laid for establishing the relations of peace, stability, and cooperation" between India and China. This is an achievement that deserves congratulations. People do not expect China and India to become estranged again after their second handshake. They hope that both sides will take more actual actions to promote good-neighborly friendship and cooperation and benefit the peoples of the two countries.

Chinese Muslims Support Palestinian Cause
OW1301131889 Beijing XINHUA in English
1312 GMT 12 Jan 89

[Text] Baghdad, January 12 (XINHUA)—The 16 million Chinese Muslims fully support the just cause of the Palestinian people, a Chinese Muslim representative to the Supreme Council for Islamic Affairs has declared.

Addressing the council's second general session, which opened here on Tuesday, Muhammad Hanafi Wan Yaobin acclaimed the birth of the independent Palestinian state, proclaimed by Palestine Liberation Organization chief Yasir 'Arafat in Algiers last November.

Briefing the delegates on the life of Chinese Muslims, Mr. Wan said that they are now mingled with other non-religious Chinese and spreading all over the country in 10 different nationalities.

Islam has a 1,300-year-long history in China, he said, adding that the country now has more than 23,000 mosques and about 30,000 imams.

Wan told the delegates that China had set up Islamic associations on both national and local levels, which ensure that the Muslims enjoy the freedom of religious belief and the right to political equality in running state affairs.

China has published the holy "Koran" and other Islamic classics, as well as books and magazines on Islam. More than 2,000 Chinese Muslims go on pilgrimage to the holy city of Mecca annually, Wan said.

About 300 representatives from 16 countries are attending the four-day session. They were received by Iraqi President Saddam Husayn early Wednesday.

The Cairo-based council groups 30 countries and held its first session on March, 1988.

Iraqi Minister Meets PRC Muslim Representative
OW1601121389 Beijing XINHUA in English
0838 GMT 14 Jan 89

[Text] Baghdad, January 14 (XINHUA)—Iraqi Minister of Endowment and Religious Affairs 'Abdallah Fadil 'Abbas expressed thanks Friday for the efforts of the Chinese Government in promoting peace between Iraq and Iran.

The Iraqi minister made the expression at a meeting here last night with Muhammad Hanafi Wan Yaobin, member of the Supreme Council for Islamic Affairs and Chinese representative to the council's second general conference convened here from January 10 to 13.

The Iraqi minister briefed the Chinese representative on the development of Iran-Iraq peace talks.

'Abbas stressed the need to specifically reinforce contacts among religious departments of the two countries, which, he added, will in turn help promote the political and economic ties between the two countries.

Wan in turn stressed China's willingness to strengthen cooperation between Muslims and religious departments of the two countries.

Sub-Saharan Africa

African Students Released From Detention
OW1401161989 Beijing XINHUA in English
1550 GMT 14 Jan 89

[Text] Nanjing, January (XINHUA)—Two foreign students who had been detained by the Nanjing City police in connection with the Hehai University incident were released from disciplinary detention today one day before their term expired.

Dossomou Boni Lodovic of Benin and Alpha Robinson of The Gambia left custody this afternoon. On leaving the house of detention, Robinson, smiling, said in Chinese to the policemen on duty, "xie xie, xie xie (thank you)."

The two were held on charges of stirring up trouble on the campus of Hehai University on the night of December 24 last year.

Then, on January 1 this year, after further interrogation and investigation, the Nanjing Municipal Public Security Bureau sentenced them to disciplinary detention of 15 days in accordance with China's regulations governing offences against public order.

Ghanaian student Alex Dzabaku Dosoo, who was given criminal detention for his involvement in the incident, was released January 10. He has been put under temporary surveillance at his living quarters pending further investigation.

According to the Criminal Procedure Law of the People's Republic of China, a defendant who lives at home under surveillance may not leave the designated area.

The law also stipulates that in cases where the defendant is allowed to live at home under surveillance: if changes in the circumstances develop the measure shall be revoked or altered.

Three Chinese students were also given 15-day disciplinary detention by the Nanjing City police for offences against public order.

Liang Ruiju, president of Hehai University, told XINHUA today, "In my eyes, the foreign students in our university are still kids and many tend to study well. I hope they will return to their normal school activities as soon as possible."

Liang concluded, "The unhappy incident which occurred on the campus of our university was stirred up by a few students. This will not, in the slightest degree, affect our pursuit of friendly relations with foreign countries or exchanges with our foreign counterparts.

"We will, as always, welcome foreign students to our university and will offer them the best studying and living conditions possible," he added.

Government To Expel 2 African Students
HK1601140889 Hong Kong AFP in English 1342 GMT
16 Jan 89

[Text] Beijing, Jan 16 (AFP)—Two African students from Nanjing who finished 15-day prison terms on Sunday will be expelled from China by the end of the week, it was learned here Monday.

Meanwhile, fellow African students in Nanjing and Beijing continued a nearly two-week long boycott of their classes.

Dossomou Boni Ludovic of Benin and Alpha Robinson of Gambia, who arrived here Sunday after serving their prison sentences in Nanjing, were accused by Chinese authorities of starting a violent clash at a Nanjing university on December 24 in which 13 people were injured.

The two students, who have already been expelled from Nanjing's Hehai University where they were doing post-graduate work, will be expelled from China by the end of the week, an African source said.

Chinese Vice-Minister of Foreign Affairs Qi Huaiyuan met with a group of African diplomats Monday to try to find a solution to the ongoing boycott of classes by 300 African students at the Beijing Language Institute and some 130 students in Nanjing who are also asking to return to home, the source added.

A Zairian student expelled Sunday from Nanjing's Polytechnical Institute said he believed his expulsion was significant, an African student in Nanjing contacted by telephone said.

Political observers here said the Zairian would most likely be expelled from the country as well.

Chinese police, apparently fearing trouble, were stationed at the Nanjing railway station on Saturday when Mr Ludovic was put on a Beijing-bound train. Mr Robinson was escorted to an airplane headed for Beijing.

Contacted in in the Chinese capital by telephone, Mr Ludovic told AGENCE FRANCE-PRESSE that he was "mistreated" by Chinese police but refused to give any details, saying he was "not in a position to speak."

The majority of students in Nanjing want to leave China, one student reached by telephone there said. He added that the situation was "confusing" and they did not know what decision their embassies in Beijing would make concerning their departure.

Most of them do not risk walking Nanjing streets alone, said another student, adding: "One always tries not to respond to provocations."

Some 5,000 Chinese students took to the streets of Nanjing the day after the Christmas Eve clash, demanding punishment of the African students involved and shouting racist slogans.

Culture Said at Root of Sino-African Differences
HK1501025289 Hong Kong SOUTH CHINA
SUNDAY MORNING POST in English 15 Jan 89 p 11

[By Seth Faison]

[Text] Now that the dust has settled, the root of the problem appears to have been sex.

It was an unexpectedly hard clash between African and Chinese cultures and fists that erupted on mainland campuses late last month, and the outpouring of pent-up frustration was more explosive than any one seemed to have anticipated.

Each side had gripes. African students produced a shocking litany of complaints about how they were treated by the Chinese: spat at, taunted, denied care at hospitals, and worse.

Chinese students complained that the Africans were noisy and raucous, got the best food and housing available from the authorities while Chinese students lived in crowded, often unheated, dormitories; they sometimes went unpunished for an offence that would have a Chinese student expelled.

But back at Hehai University in Nanjing, where the whole thing started, it's the sex issue that stands out.

Hehai's president, the now-infamous Mr Liang Ruiju, didn't like the way the African students at his university behaved, spending scholarship money and time on Chinese girls rather than on Chinese books.

A bustling man with electric, standing-on-end hair, Mr Liang was upset by what in his eyes were streams of Chinese women coming and going at the foreign students dormitory—sometimes seen passing through the ground-floor windows to avoid the doorkeeper.

"They have a lot of Chinese girlfriends, a new one every day. This is not the Chinese way," Mr Liang told foreign reporters, shaking his head in apparent dismay.

Here lies the key: the Chinese are as puritanical about sex as Africans are liberal. And at Hehai, as at other universities, neither Chinese nor Africans seemed willing to make concessions on what constituted proper behaviour when it came to women.

President Liang expected the foreigners to behave as the Chinese do, while the Africans ignored Chinese sensibilities and chased girls openly.

Foreign and Chinese women alike have complained of the rude way in which African students sometimes approach them, blatantly accusing them of racism if they turn down an invitation.

The two sides in this dispute, each intractable in their own attitudes, were on a collision course.

Mr Liang fired the first shot. A brick wall, he decided last fall, would be built around the dormitory. That would force nighttime visitors to come through the main door, where they are obliged to sign their names—a surefire method of deterring most would be guests in China.

As soon as the wall started to go up, African students objected that they were being caged in like animals, and they tore it down. A long dispute followed, and it came to a head when the undaunted Mr Liang counter-attacked by making it a requirement for visitors to sign in at the front gate of the university.

On December 24, when two students objected to registering Chinese women they had brought with them, a fight ensued. Before long, rumours inflamed Nanjing, saying falsely that the Africans had killed a Chinese person, and the mobs began to form.

What spurred Chinese students to storm the streets of Nanjing angrily, demanding revenge, was probably a combination of resentment over the preference treatment at the university, with some nasty feelings about black people in general.

Even Mr Liang expressed personal resentment, pointing out that the students' stipend of HK\$550 per month was more than the HK\$510 he made as head of the university.

And while Chinese bristle at charges that they are acting in a racist manner, many admit with a little prodding that they do not like black people.

But what apparently got to Mr Liang more than anything else was the sight of these Africans having fun with Chinese women. He saw it as his duty to get the Africans into line.

When he met the students to urge them to resume classes, he told them that henceforth they should have only one girlfriend. Whether he added that she had to be introduced to members of the Foreign Affairs Office was not so clear.

After the foreign press picked up on the African version of the "girlfriend rule", Mr Liang went on national television to deny angrily that there were any such regulations.

But as university official Mr Zhang Jiangmin later explained: "There are no new rules, Mr Liang simply asked the students to adopt a more serious approach to their lifestyle. Every student who comes to China should follow Chinese customs and morality. It is no good to have girlfriends in a reckless way."

As one journalist pointed out, a request from a high official in China was equivalent to, if not stronger than, a written regulation.

And although the president no doubt realised he would look silly for exacerbating an already tense situation, being splashed across the front pages of newspapers around the world, he apparently had no compunction about requesting that the Africans bring their attitude about sex in line with those of the Chinese.

The Africans, meanwhile, think it is their own business who their friends and girlfriends are.

"It is absolutely ridiculous. They say we molest their women, but if this is true why do they keep coming back here?" asked Amadou Mamadou, a student from Niger.

The fiery president also accused the students of bringing prostitutes to their dormitory, but his new request did not appear to be directed only at such women.

As the African and Chinese authorities wade through the mess left by the unrest, there may not even be any calls for mutual understanding and patience to resolve their cultural differences.

If there are, they will go unheeded.

The sex issue touches the core of emotions on each side, and it is unlikely that either the Chinese or the Africans will be willing to suspend their attitude toward this most sensitive of questions.

Ghanaian Official Meets Outgoing Envoy
OW1701061089 Beijing XINHUA in English
0049 GMT 17 Jan 89

[Text] Accra, January 16 (XINHUA)—Relations between Africa and China should not be marred by recent student incidents in Beijing, Justice D.F. Annan, member of the ruling Provisional National Defence Council (PNDC) of Ghana said here today.

Justice Annan was speaking during a farewell call on him by the out-going Chinese Ambassador to Ghana, Gu Xiner.

He said that Ghana appreciated Chinese assistance, especially in technical training.

He expressed the hope that the recent clashes between African and Chinese students will be resolved amicably.

Ambassador Gu said the recent student incident was an isolated event that will in no way affect the relations between China and Africa.

He said Chinese scholarships granted to Ghanaian students have increased since 1983, adding "10 scholarships will be offered this year."

The GHANA NEWS AGENCY reported that Justice Annan has told the Ghanaian ambassador assigned to China to strive for a better understanding and cooperation between Ghana and China.

Malian President Hails Cooperation
OW1601132589 Beijing XINHUA in English
0654 GMT 14 Jan 89

[Text] Bamako, January 13 (XINHUA)—Malian President Moussa Traore told Chinese Ambassador Zhou Haiping today that to jointly run enterprises by the two countries has shown fruitful cooperation and encouraging results.

Traore, who is also president of the Organization of African Unity, thanked China for its aid and support to African countries since their gaining of independence.

He also called for China's support of an international conference on the debts and development of Africa.

The Chinese ambassador thanked Traore for his contributions to the development of Sino-Malian relations. He expected further development of relations between China and African countries.

Congolese Secretary Praises Cooperation
OW1701001689 Beijing XINHUA in English
1453 GMT 16 Jan 89

[Text] Brazzaville, January 16 (XINHUA)—The secretary of the Central Committee of the Congolese Labour Party, Mr Daniel Abibi, has hailed the model character of the cooperation between the Congo and China, saying that the mutual support between the two sides has helped "the Congolese people to win significant victories."

He made the remarks at a ceremony held here today, in which Chinese Ambassador Wu Shunyu handed over a batch of material to the Congolese party's External Relations Department for the party's forthcoming congress scheduled for July this year.

"Our two people are engaged in a common battle for liberty, justice and social progress and have been supporting each other in the combat," he said, adding that "I would like to stress particularly the model character of the cooperation between our two countries."

On the occasion, the Chinese ambassador congratulated the Congolese party and people on the remarkable success they have achieved since the Congolese revolution launched 25 years ago in safeguarding national independence and state sovereignty and in developing their national economy. He wished the Congolese party and people success in the forthcoming party congress.

West Europe

Results of Official Qian Qichen Visit to France

Attends Luncheon

HK1401054089 Beijing XINHUA Hong Kong Service
in Chinese 0235 GMT 13 Jan 89

[Report: "French Foreign Minister Hosts a Banquet To Welcome Qian Qichen"—XINHUA headline]

[Text] Paris, 12 Jan (XINHUA)—At noon today French Foreign Minister Roland Dumas hosted a luncheon at the Foreign Ministry to warmly welcome visiting Chinese Foreign Minister Qian Qichen.

Foreign Minister Qian Qichen started his official 2-day visit to France today after attending the Paris International Conference on Banning Chemical Weapons.

During the luncheon Foreign Minister Dumas delivered a welcoming speech in which he pointed out that France and China have always shared identical views on the current world situation. "Our view is that every country, whether it is big or small, should have the right to decide on its own future [ming yun 0730 6663]." He suggested: China and France are the motive force behind the dialogues between the two worlds and these dialogues

will in turn contribute to deepening the bilateral relations between the two countries and, in particular, their cooperation in the economic, cultural, scientific, and technological fields.

Commenting on bilateral relations, Foreign Minister Dumas said: "I firmly believe that the extensive Chinese market is one of our priorities as well as one of the targets of our economic cooperation, which we hope to develop further. This is evidenced by our preferential investment policy, which is now benefiting your country, by our efforts to make the Coordinating Committee for Export Control relax the restrictions on the export of sensitive materials to your country, and by our efforts to encourage the French people to invest in China."

Foreign Minister Dumas also pointed out: France understands that a strong, prosperous, and open China can more satisfactorily play a balancing role in the world. Therefore, we should further develop our cooperation in the economic, scientific, and technological fields."

In his answering speech, Foreign Minister Qian Qichen thanked Foreign Minister Dumas for his hospitality. He said: "The Chinese Government has always attached great importance to the role and influence of France in international matters and has always regarded the extensive development of Sino-Franco friendship and cooperation as an important task." "It is necessary to lift bilateral relations between the two countries in the political, economic, and cultural fields onto an unprecedentedly high plane."

Concerning the international situation, the Chinese foreign minister pointed out: "The world is moving from confrontation toward dialogue, and from tension toward relaxation; and the international situation is undergoing drastic changes. However, we can hardly fail to see that the factors for unrest and tension have not been eliminated, the arms race, particularly the nuclear arms race, is still going on, and regional conflicts have not been settled once for all although they have been somewhat mitigated."

Commenting on the European situation, Foreign Minister Qian indicated: "China hopes that the European situation will become relaxed and welcomes increased intercourse between Eastern and Western Europe. China supports the unremitting efforts made by Western Europe to strengthen itself and bring about a unified [lian he 5114 0678] Western Europe, views with admiration the EC's magnificent plan for establishing a unified grand market, and hopes that the establishment of this grand market will benefit the development of economic relations and trade between China and the various EC members. To develop stable long-term friendship and cooperation with Europe, including both Western and Eastern Europe, is an important component of China's foreign policy."

Foreign Minister Qian elaborated on China's stand on the Cambodian issue, saying: "The international community strongly demands that Vietnam withdraw its troops from Cambodia, and we hope that Vietnam will earnestly fulfill its promise by withdrawing all its troops from Cambodia not later than September 1989. We favor, after the withdrawal of Vietnamese troops, the establishment of a provisional coalition government by the four parties under the leadership [zhu chi 0031 2170] of Prince Sihanouk, so that the Cambodian people can hold free elections in the absence of interference and military threats from without. We are against the exclusion of any one of these parties and against the monopolization of power by a single party. The Chinese Government is willing to join other countries in providing an international guarantee for Cambodia's independent, neutral, and nonaligned status."

Before the luncheon Foreign Minister Dumas held talks with Foreign Minister Qian Qichen.

Chinese Ambassador to France Zhou Jue [0719 6030] was also present at both the talks and the luncheon.

Plan Regular Meetings on Cambodia

AU1301142589 Paris AFP in English 1354 GMT
13 Jan 89

[Excerpt] Paris, Jan 13 (AFP)—France and China have agreed to consult each other regularly over Cambodia, French Foreign Minister Roland Dumas said here on Friday after four hours of talks with Chinese Foreign Minister Qian Qichen.

Mr. Qian said after meeting President Francois Mitterrand on Thursday that the two countries had "identical or close positions" on Cambodia.

Beijing has supplied arms to the Khmer Rouge, the Communist faction of the tripartite Cambodian resistance movement opposed to the Vietnam-backed Phnom Penh government.

Mr. Dumas said that the Cambodian conflict took up much of the meetings he had with Mr. Qian on Thursday and Friday. China, Mr. Dumas said, was becoming more flexible and did not rule out the possibility of a settlement in Cambodia by the end of 1989.

"We agreed to brief each other regularly and in detail," he said.

France formally recognises neither the Phnom Penh government nor the resistance coalition, but has provided the resistance leader, Prince Norodom Sihanouk, with diplomatic help by organising talks between all parties to the conflict on French soil.

China recognised the "increasingly important role" of Prince Sihanouk, Mr. Dumas said.

"We all want an equitable and rational solution to this problem, and our two countries could play an important role in this respect," Mr. Qian said on Thursday.

On Friday, Mr. Dumas and Mr. Qian exchanged letters providing for the opening of a French consulate in the southern Chinese city of Guangzhou, which already houses about 600 French nationals but which is likely to see another 900 arrive as French firms progress with the construction of a 3.5-billion dollar nuclear power station at Daya Bay near Hong Kong.

The consulate will probably be opened when Mr. Dumas visits China later this year, French sources said. [passage omitted]

Results of Talks

OW1401023889 Beijing XINHUA in English
1529 GMT 13 Jan 89

[Text] Paris, January 13 (XINHUA)—Visiting Chinese Foreign Minister Qian Qichen has expressed his satisfaction over the sharing of similar views [by] China and France concerning major international issues, Chinese sources disclosed Friday.

In talks with French Foreign Minister Roland Dumas over the past two days, Qian recalled that France was the first major Western country to recognize China, and that relations between the two countries have developed smoothly since China and France established diplomatic relations in 1964.

The French minister stressed that in the past, France and China have shared many diplomatic positions. For this reason, he said that both countries can play a positive role in safeguarding world peace, and in settling regional disputes by strengthening the political ties between them.

The two ministers also exchanged views on the further development of bilateral economic and trade ties, and they agreed to explore possible ways for cooperation in areas of energy, orduration [as received], and telecommunications.

They also felt satisfaction over the trend of international detente, and stated that the international community should pay greater attention to narrowing the gap between North and South in the wake of improved East-West relations.

Signs Agreement on Consulates

OW1401003989 Beijing XINHUA in English
1458 GMT 13 Jan 89

[Text] Paris, January 13 (XINHUA)—China and France Friday signed a letter of intention for opening new consulates in each other's countries.

The letter was signed by visiting Chinese Foreign Minister Qian Qichen and his French counterpart, Roland Dumas.

According to the letter, France will set up a consulate in Guangzhou, while China will open a new consulate in France.

'Satisfied' With Visit

HK1601075889 Beijing RENMIN RIBAO
in Chinese 15 Jan 89 p 6

[Dispatch from Paris by Reporter Zhang Qihua (1728 0796 5478): "Qian Qichen Holds a Press Conference in Paris To Talk About Sino-Vietnamese, Sino-Soviet Relations, and Stresses That He Is Satisfied With His Visit to France"]

[Text] Paris, 14 Jan—Foreign Minister Qian Qichen satisfactorily wound up his visit to France, and held a press conference this morning in Paris attended by Chinese and foreign reporters. He told reporters that he was happy to visit Paris on the eve of the 200th anniversary of the Great French Revolution, and the 25th anniversary of the establishment of Sino-French diplomatic relations. He added that he had met with President Mitterrand, Prime Minister Rocard, President of National Assembly Fabius, and three ministers responsible for finance, foreign trade, and equipment. He also held talks with Foreign Minister Dumas on international issues of common concern and bilateral relations, and signed a letter of intent on establishing an additional consulate in each other's country. Foreign Minister Qian stressed that both the Chinese and French sides were satisfied with the successful visit.

While answering questions on Sino-Vietnamese relations raised by reporters, Foreign Minister Qian said: The major obstacle to Sino-Vietnamese relations lies in Vietnamese troops' invasion of Cambodia. As long as this problem can be solved, Sino-Vietnamese relations can be improved. Foreign Minister Qian reminded all participants to note that in a statement issued in March 1983, the Chinese Government already stated that as long as Vietnamese troops were withdrawn from Cambodia, there would be no difficulty in improving Sino-Vietnamese relations.

While talking about Sino-Soviet relations, Foreign Minister Qian stressed: Sino-Soviet relations are improving. The development of relations between China and the Soviet Union will not return to that of alliance of the 1950's. China wishes to establish good neighborly and friendly relations, and develop economic and trade contacts with the Soviet Union in accordance with the five principles of peaceful coexistence.

Reporters asked: What method will China adopt to deal with African students' incident? Foreign Minister Qian answered: This was an isolated incident which happened between young people of the two countries during a

festival. It has now subsided, and will not adversely affect relations between China and Africa. In view of some Western newspapers reports, he pointed out: There is no racism in China, and most African students can get along with Chinese students in a friendly way.

Some reporters asked: Taiwan in pursuing an "elastic foreign policy," how does China treat this issue? Foreign Minister Qian said: Our policy of one China will never change. Some people in Taiwan intend to pursue splittism, this will never work. Foreign Minister Qian added: Chinese and French foreign ministers talked about the Taiwan issue. Foreign Minister Dumas stated that France would not develop official relations with Taiwan. Foreign Minister Qian believed that the French stand was clear and definite. He also emphasized: Both China and France are satisfied with the development of their relations, and their prospects are also good.

On SRV, USSR, Israel, Taiwan

HK1501015689 Beijing ZHONGGUO XINWEN
SHE in Chinese 1403 GMT 14 Jan 89

[Text] Paris, 14 Jan (ZHONGGUO XINWEN SHE)—PRC Foreign Minister Qian Qichen has emphatically pointed out that China will not change its "one China" policy. The so-called "elastic diplomacy" pursued by the Taiwan authorities is actually a form of separatism, and we resolutely oppose it.

Qian Qichen this morning met French and Chinese journalists in the hotel where he is staying. He said: Presently an atmosphere of concord [he xie 0735 6168] has emerged on the two shores of the Taiwan Strait; since last year 300,000 Taiwan compatriots have come to the mainland to visit relatives and friends and invest and do business. This is a very good thing. We hope that all friendly countries that have established diplomatic relations with China will note that they may engage in nongovernmental trade exchanges with Taiwan, but there should be no official relations.

Commenting on a Taiwan news report at the end of last year stating that France would imitate the United States by establishing a "France-Taiwan Association" in Taipei, Qian Qichen said that he discussed this question during his 2 days of talks with the French foreign minister. The French side indicated that they still strictly abide by the principles agreed on the establishment of diplomatic relations between the two countries and stick to the policy of recognizing "one China."

When asked by a reporter about China's new hopes on relations with the Soviet Union, with a summit between the two countries now a possibility, Qian Qichen said: First of all, The new relations between China and the Soviet Union will not return to that of the 1950's. Second, they will be good-neighborly relations based on the five principles of peaceful coexistence, and economic

and trade relations based on equality and mutual benefit. The two sides should also guarantee not to pursue hegemony in this region [as received].

On China's relations with South and North Korea, Qian Qichen said: China maintains very friendly [hen you hao 1771 0645 1170] relations with the DPRK, and these relations will continue to develop. As for South Korea, the two sides have unofficial and nongovernmental trade exchanges. Following the comprehensive opening up to the world in China's coastal provinces, these economic and trade exchanges between the two sides are very normal, but there are no political relations between them.

Answering a reporter who asked what factor had caused the deputy foreign ministers of China and Vietnam to meet in Beijing, Qian Qichen stated that he heard this news from the French media this morning. He reminded the journalists to note that China's statement of 1 March 1983 on the Cambodian issue said that so long as Vietnam withdrew its forces from Cambodia, and really accomplished this, China could improve its relations with Vietnam. However Vietnam has never met this condition, so there have been no talks between China and Vietnam.

Qian Qichen also confirmed that he met Israeli Foreign Minister Aruns in Paris. He said that the two sides discussed Middle East problems. He told the Israeli foreign minister that since the PLO has shown flexibility over resolving the Middle East problems, it is now time for Israel to show flexibility.

On 'Obstacle' to SRV Relations
OW1401151789 Beijing XINHUA in English
1431 GMT 14 Jan 89

[Text] Paris, January 14 (XINHUA)—Visiting Chinese Foreign Minister Qian Qichen, said Saturday that the major obstacle blocking relations between China and Vietnam lies in the Vietnamese occupation of Kampuchea.

The foreign minister made these remarks at a press conference before his departure for China following his two-day official visit to France.

Qian Qichen also stressed that only by solving this problem can relations between the two countries be improved.

During his stay here, he discussed the Kampuchea issue with French leaders.

He explained the "identical or close" positions shared by China and France on the Kampuchea issue as:

1. Vietnam should withdraw its troops from Kampuchea as soon as possible:

2. A coalition government should be created, with participation of the four Kampuchan parties, in a bid to achieve a national reconciliation;

3. Samdech Norodom Sihanouk should play a dominant role in solving the Kampuchean issue.

Qian also added that China and France agreed on the fair and reasonable settlement of the Kampuchea issue through international supervision and open international conferences.

He said that the two countries hoped the four parties will soon reach an agreement.

Asked about Sino-Soviet relations, the Chinese minister replied that China is planning to establish new relations with the Soviet Union.

But he indicated that this new development will differ from that of the 50s, when the two countries had formed an alliance.

He said China will establish good neighborly ties with the Soviet Union based on the five principles of peaceful coexistence, as well as economic and trade relations based on equality and mutual benefit.

In addition, he said that both countries will not seek hegemony.

On Sino-Franco ties, Qian expressed his satisfaction over the development of bilateral relations between the two countries, and said there is a bright future for both to further develop their relations.

He said he also believes his visit to France will give an impetus to the two countries' continuing relations.

The Chinese foreign minister also reaffirmed that the Nanjing campus incident was just an isolated event, and that there is nothing wrong with China's relations with the African countries.

He said that tensions have eased, and that there is no racial discrimination in China.

Most African students, he added, have good relations with the Chinese people.

On Khmer Rouge
OW1401144889 Tokyo KYODO in English 1424 GMT
14 Jan 89

[Text] Paris, Jan. 14 KYODO—Chinese Foreign Minister Qian Qichen said here Saturday that Beijing will never recognize Khmer Rouge policies and does not want its return to power in Kampuchea.

Qian, who concluded a two-day official visit to France, told a press conference China hopes Kampuchea's four warring parties will establish a coalition government under the lead of former head of State Prince Norodom Sihanouk.

China also hopes the four parties will reach an agreement as early as possible to put a political settlement to the decade-long armed conflict in Kampuchea, Qian said.

China is ready to attend an international conference which will be convened to guarantee the implementation of an agreement among the four groups, he said.

Qian visited Paris officially Friday and Saturday after attending an international conference in Paris on the banning of chemical weapons.

Departs for Romania

OW1401163089 Beijing XINHUA in English
1608 GMT 14 Jan 89

[Text] Paris, January 14 (XINHUA)—Chinese Foreign Minister Qian Qichen Saturday left Paris for Romania after his two-day official visit to France.

During his stay in Paris, he discussed the international situation, as well as bilateral issues between the two countries, with French leaders.

Qian and his French counterpart Roland Dumas signed a letter of intention for opening new consulates in each other countries.

The Chinese minister attended the international conference on chemical arms held in Paris on January 7-11.

Qian Meets FRG Foreign Minister in Bonn

OW1701062789 Beijing XINHUA in English
0256 GMT 17 Jan 89

[Text] Bonn, January 16 (XINHUA)—Chinese Foreign Minister Qian Qichen met his Federal German counterpart Hans-Dietrich Genscher here today during Qian's last stop on his European tour.

The two signed a financial cooperation accord under which the Federal German bank Kreditanstalt für Wiederaufbau will provide a long-term, low interest loan worth 460 million Deutsche marks (about 249 million U.S. dollars) to be used for the construction of a subway in Shanghai. The Chinese Ministry of Foreign Economic Relations and Trade will administer the loan.

During their talks, the two ministers agreed that the current trend of detente and dialogue is favorable to world peace and stability, according to Chinese delegation sources.

Qian and Genscher also expressed their satisfaction with bilateral relations, the sources said.

Qian arrived today in Bonn, his last stop on a European tour that has taken him to Yugoslavia, France, and Romania. He will leave for China tomorrow.

Councillor Li Tieying Meets Students in Geneva

OW1301152189 Beijing XINHUA in English
0910 GMT 13 Jan 89

[Text] Geneva, January 12 (XINHUA)—Chinese State Councilor Li Tieying, who is attending the 41st World Education Conference here, met today with representatives of Chinese students studying in Switzerland.

Li, who is also the minister in charge of the State Education Commission, encouraged the students to work hard in order to better serve China in the future.

The students asked Li to pass on to the Communist Party's Central Committee a letter in which they express their determination to study diligently for their country.

Li left Switzerland for China this afternoon after the conference closed.

East Europe

Qian Qichen Makes 'Friendly' Visit to Romania

Meets Foreign Minister

OW1601031389 Beijing XINHUA in English
0143 GMT 16 Jan 89

[Text] Bucharest, January 15 (XINHUA)—Romanian Foreign Minister Ioan Totu met today with his visiting Chinese counterpart Qian Qichen to discuss the world situation.

In a toast honoring the Chinese minister, Totu said that in the nuclear world, the only way out, the only policy is to completely renounce force and war. He urged new thinking and democratic policy to rid life of war.

Qian said in his speech that peace and progress have become the mainstream of today's world situation. However, he warned that some inherent contradictions and unsteady elements still remain unresolved in the world. Romania and China have sustained a genuine friendship during their 40 years of diplomatic ties, added Qian, who arrived here Saturday night on an official visit.

Notes Cooperation

OW1501161789 Beijing XINHUA in English
1558 GMT 15 Jan 89

[Text] Bucharest, January 15 (XINHUA)—Chinese Foreign Minister Qian Qichen today talked with his Romanian counterpart Ioan Totu about bilateral relations and other international issues of mutual interest.

Qian, who arrived here Saturday night for an official visit to Bucharest, said that China not only emphasizes political relations with Romania, but also stresses the economic ties between both countries.

China is willing to make all efforts to help promote such relations, he pointed out.

The Chinese foreign minister hailed Romanian President Nicolae Ceausescu's visit to China last October as "a success," saying he will take advantage of this visit to consult with his Romanian colleagues over the implementation of agreements signed last year.

The two sides were satisfied over their overall relations, and expressed willingness to further long-standing friendly ties between the two countries.

The Romanian foreign minister extended his warm welcome to Qian, noting that Romania gives importance to its cooperative relations with China.

Totu explained to Qian the consistent position of Romania on arms reduction and regional conflicts, as well as its recent stand on security and cooperation in Europe at the follow-up conference.

Qian talked about the worldwide tendency toward dialogue and detente, but warned that some inherent contradictions and unsteady elements still remain unresolved in the world.

On Latin American Relations

HK1701040489 Beijing XINHUA Hong Kong Service
in Chinese 0420 GMT 16 Jan 89

[Report: "Foreign Minister Qian Says China Attaches Great Importance to Developing Relations With Latin American Countries"]

[Text] Bucharest, 15 Jan (XINHUA)—Chinese Foreign Minister Qian Qichen said that Latin America is a continent full of vigor and hopes. The Chinese Government attaches great importance to developing its relations with Latin American countries.

Foreign Minister Qian Qichen, now on a friendly and official visit to Romania, made a written statement here today to LATIN AMERICAN NEWS AGENCY [la mei tong xun she 2139 5019 6639 6061 4357] reporters. He said: At present China has established diplomatic relations with 20 Latin American countries. Since the 1980's the Chinese premier has visited Latin America twice; and the presidents of 10 Latin American countries, and prime ministers of 6 countries have visited China. The friendship and cooperation between China and the Latin American countries in the political, economic, cultural, and science and technological fields have been developing steadily. He was satisfied to see this development.

Qian Qichen said: The trade relationship between China and Latin America is also continuously developing. Over the past few years trade volume between both sides has basically been maintained at a level of about \$2 billion. He pointed out: Compared with both sides' potentialities, this volume is still not large enough. The main reasons are: the great geographical distance between the two sides, the structures of import and export products of both sides do not quite suit each other's needs, and both sides still lack a good understanding of each other's demands. However, both China and Latin America are rich in natural resources. They have a broad market and a common desire for development and cooperation. He believed that, provided both sides make continuous efforts to seek new channels of cooperation and new trading methods, there are surely vast vistas for the development of trade between China and Latin America.

The Chinese foreign minister continued: China and Latin America are all developing countries and belong to the Third World. Both sides do not have any conflicts in their fundamental interests but have many things in common. Therefore, there is a good foundation for developing Sino-Latin American relations. He said: At present some Latin American countries still have not yet established diplomatic relations with China. China is willing to establish and develop friendly and cooperative relations with all Latin American countries on the basis of the five principles of peaceful coexistence.

Notes Cuban Official's Visit

OW1501195989 Beijing XINHUA in English
1934 GMT 15 Jan 89

[Text] Bucharest, January 15 (XINHUA)—Chinese Foreign Minister Qian Qichen said that Cuban Foreign Minister Isidoro Malmierca Peoli's forthcoming visit to China will contribute significantly to a furthering of bilateral ties between the two countries.

The Chinese foreign minister is on an official visit to Romania, and was interviewed today by the correspondent of PRENSA LATINA, the official Cuban news agency, in Bucharest.

Qian said that Sino-Cuban relations have steadily improved in recent years, noting that the two nations have made notable headway in cooperation in the fields of economy, culture, science and technology, education, sports and health.

The two countries share many similar views on international affairs, Qian added.

A committee meeting of the two countries on trade and commerce at the ministerial level recently opened in Beijing, marking a new phase of economic cooperation between China and Cuba.

Qian said that trade between the two nations has increased steadily, with the trade volume hitting a record 300 million dollars in 1988.

He expressed his satisfaction over this progress in relations between the two countries.

Malmierca's upcoming visit to China will be the first ever by a Cuban foreign minister since China and Cuba established diplomatic relations in 1960.

Qian also disclosed that when he met his Cuban counterpart in Paris recently, Malmierca invited him to pay a visit to Cuba this year and he has already accepted the invitation. He has never been in Latin America before so Cuba would be the first country in Latin America he is going to pay a visit, he added. [sentence as received]

Meets Romanian President

OW1601183289 Beijing XINHUA in English
1539 GMT 16 Jan 89

[Text] Bucharest, January 16 (XINHUA)—Romanian President Nicolae Ceausescu today met visiting Chinese Foreign Minister Qian Qichen and talked with him on bilateral relations.

Qian conveyed greetings of the Chinese party and government leaders to Ceausescu.

During their meeting, they exchanged views on Sino-Romanian relations and international issues, saying China and Romania enjoy very good cooperation in bilateral ties and international affairs.

The Chinese foreign minister has concluded his three-day official visit to Romania and left here for home this afternoon.

Zhao Ziyang at Meeting on Administrative Honesty
OW1501142289 Beijing Television Service
in Mandarin 1100 GMT 15 Jan 89

[From the "National Hookup" program]

[Text] Under the chairmanship of Comrade Zhao Ziyang, the Secretariat of the CPC Central Committee met on 30 December 1988 to discuss issues concerning party and state organs' administrative honesty under the new situation.

Comrades Hu Qili, Qiao Shi, Song Ping, Rui Xingwen, Yan Mingfu, and Wen Jiabao, along with responsible comrades of relevant central departments, were present at the meeting.

The minutes of the meeting are in nine sections:

1. The state of honesty in party and state organs should be correctly understood. While the overwhelming majority of party members and cadres of party and state organs are law-abiding, honest, and self-disciplined in performing their official duties, a minority of them have failed the test and engaged in practicing graft, accepting bribes, manipulating their power, and extorting money. We must attach great importance to such problems and take powerful measures to deal with them.

2. Administrative honesty should be attended to as an important matter. Principal leaders of party committees must take action themselves. Plans should be worked out in accordance with their respective situations. Clear-cut responsibilities should be established and inspection and supervision must be intensified so as to ensure results.

3. Comprehensive measures should be taken to deal with the problems, giving prominence to the key issues. Under the circumstances of carrying out reform, opening to the outside world, and developing the commodity economy, what ought to be done so that party organizations and the vast number of party members can effectively resist and battle all types of corrosion? The general guideline for dealing with this issue is to uphold the principle—which our party has repeatedly emphasized—of attending to reform, opening up, and economic construction on the one hand, and to political and ideological work on the other. Based on the experiences local authorities have gained in promoting administrative honesty, it is necessary now to stress investigation and handling of key cases and reestablishing the system governing administrative honesty.

4. Efforts should be concentrated on investigating and handling economic crimes that have pernicious influence. To achieve this objective, we must properly rely on the masses and bring the roles of all supervisory and

procuratorial departments into play; the party's discipline inspection departments and departments in charge of business, auditing, and taxation affairs must strive to coordinate.

5. More effective policies should be introduced. Making our work visible to the public and paying attention to the masses' reporting of crimes are two important measures adopted after the 13th National Party Congress for maintaining administrative honesty in party and state organs. We should earnestly sum up the experiences gained in this regard and disseminate them.

6. The supervisory system, after being established, should be improved. During the process of battling corruption and carrying out their supervisory functions, discipline inspection, supervisory, and procuratorial departments should bring their respective functions into full play and strengthen cooperation and coordination among themselves.

7. There should be supervision from the media. Exposing lawless conduct and lapses of discipline among personnel of party and state organs by means of newspapers, journals, television, and radio broadcasting is an effective means of supervision. The key issue is that such means should be properly used. In their reports, newspapers should particularly pay attention to publicizing the good examples of administrative honesty and the good experiences gained in that area.

8. The supervisory role of democratic parties and mass organizations should be brought into play. Qualified democrats and personages without party affiliations should be appointed to head various supervisory departments and take part in investigating and handling economic cases and other relevant cases.

9. Party discipline must be strictly enforced. Attention must now focus on guarding two gateways. The first gateway concerns cadres. Dishonest cadres must never be promoted or trusted. The second gateway concerns party discipline. Dishonest party members must be seriously handled, or even expelled from the party, according to party discipline. Leading cadres who are party members must set examples of honesty with their personal deeds.

Further on Secretariat Meeting
OW1501142289 Beijing XINHUA Domestic
Service in Chinese 1429 GMT 15 Jan 89

[From the "Local Broadcast News Service"]

[Text] Beijing, 15 Jan (XINHUA)—Zhao Ziyang, general secretary of the CPC Central Committee, presided over a meeting of the Secretariat of the CPC Central Committee on 30 December 1988 to discuss issues concerning party and state organs' administrative honesty under the new situation. The excerpts of the minutes of the meeting are as follows:

1. The state of honesty in party and state organs should be correctly understood. Our party wholeheartedly serves the people, and our government is honest. The overwhelming majority of party members and cadres of party and state organs are law-abiding, honest, and self-disciplined in performing their duties. They are able to withstand the tests in carrying out reform and opening to the outside world.

At the same time, we must soberly realize that under the conditions of carrying out reform, opening to the outside world, and invigorating the domestic economy, a minority of people in the party and state organs have indeed failed the tests and engaged in graft, accepting bribes, abuse of their power, and extortion. We must attach great importance to such problems and take powerful measures to deal with them. Under no circumstances should we allow officials to do whatever they like and thus corrode our healthy organism. As long as we bring the party's role into full play and, in particular, strengthen and improve our ideological and political work, we are completely able to remain honest while promoting economic prosperity. All the comrades in the party must have full confidence in this.

2. Administrative honesty should be treated to as an important matter.

The central authorities had emphatically pointed out long ago: We must unswervingly carry out reform, open to the outside world, and promote economic prosperity. We must also resolutely keep honesty in government and oppose corruption. This is our basic principle.

Over the past year, the party committees and governments at all levels have adopted some measures and made achievements in remaining clean and honest in the course of improving the economic environment and rectifying the economic order. However, the work of remaining clean and honest is still not sufficient, and corrupt practices have not yet been properly contained. To make the party and the state organs clean and honest is still a pressing task the party and the government are facing.

3. Comprehensive measures should be taken to deal with the problems, giving prominence to the key issues.

Under the circumstances of carrying out reform, opening to the outside world, and developing commodity economy, measures should be taken so that party organizations and the vast number of party members can effectively resist and battle all types of corrosion and withstand severe tests. This is a major topic that we must grapple with in party building during the new period. The general principle for dealing with this issue is to uphold the principle of "attending to both ends" which our party has repeatedly emphasized. That is the principle of attending to reform, opening up, and economic construction on the one hand, and to political and ideological work on the other.

Comprehensive measures must be taken to remain clean and honest and oppose corruption. Based on the experiences local authorities have gained in promoting administrative honesty, it is necessary now to stress investigation and handling of key cases and reestablish the system governing administrative honesty.

4. Efforts should be concentrated on investigating and handling economic crimes that have pernicious influence.

Right now, we must concentrate our efforts on investigating and handling some serious economic crimes, such as taking bribes and embezzling public money, and severely punish criminals who have incurred great popular indignation.

5. More effective policies should be introduced.

While seriously investigating and handling the cases, we must attach importance to setting up a system to keep government clean, plugging all loopholes, improving the administration and establishing order to reduce and even destroy soil that generates corruption. Making our work visible to the public and paying attention to the masses' reporting of crimes are two important measures adopted after the 13th National Party Congress for maintaining administrative honesty in party and state organs. We must earnestly sum up the experiences gained in this regard and disseminate them.

6. The supervisory system, after being established, should be improved.

To establish and improve the supervisory system and strengthen supervision and control over the party members and cadres of the party and state organs is of particular significance to keeping government clean and guarding against corruption. During the process of battling corruption and carrying out their supervisory functions, discipline inspection, supervisory, and procuratorial departments should bring their respective functions into full play, and strictly enforce laws as well as government and party discipline, while strengthening cooperation and coordination among themselves.

7. There should be supervision from the media. Spreading knowledge concerning the law, encouraging the healthy trends in social life, and exposing lawless conduct and lapses of discipline among personnel of party and state organs by means of newspapers, journals, television, and radio broadcasting is an effective means of supervision. In their efforts, newspapers should pay particular attention to publicizing the good examples of administrative honesty and the good experiences gained in that area. Not enough publicity was given to these examples and experiences in the past. From now on, we must strengthen our efforts in this respect.

8. The supervisory role of democratic parties and mass organizations should be brought into full play. It is necessary to bring into full play the role of democratic parties and nonparty patriotic personages and mass organizations in providing democratic supervision in the state's political life. It is essential to appoint qualified democrats and personages without party affiliations to head various supervisory departments according to regulations governing cadres and the legal procedures. It is necessary to create conditions and make things convenient for the mass organizations to play their supervisory role in various units and areas where they are located.

9. Party discipline must be strictly enforced. Efforts made by the ruling party to strengthen itself have a tremendous impact on keeping party and state organs clean and honest. We must strengthen education among party members, let the campaign against corruption reside in the construction and reform program, and strictly enforce party discipline among party members.

Attention must now focus on guarding two gateways. The first gateway concerns cadres, while the second one concerns party discipline. Dishonest cadres must be seriously handled, or even expelled from the party, according to party discipline. Those who have breached the criminal code should also be punished according to law in addition to the party disciplinary actions taken against them.

Zhao Inspects Henan Province Work 9-13 Jan
*HK1601014489 Zhengzhou Henan Provincial
Service in Mandarin 2300 GMT 15 Jan 89*

[Text] CPC Central Committee General Secretary Zhao Ziyang inspected work in Henan from 9 to 13 January. While in the province, Comrade Zhao Ziyang listened to work reports delivered by the provincial party committee, the Zhengzhou and Anyang city party committees, and Xinyang prefectural party committee. He met leading comrades of the provincial party committee, Advisory Commission, People's Congress, government, CPPCC, and military district, and summoned the managers, directors, and party secretaries of some large and medium-sized enterprises in Zhengzhou, Kaifeng, and Luoyang to forums. Braving wind and snow, he also inspected Zhulin village in Gongxian County, the Zhengzhou textile machinery plant, and the Zhengzhou printing and dyeing plant. He held cordial chats with party and government cadres, ordinary workers, and peasants.

After listening to reports delivered by provincial party committee Secretary Yang Xizong, Governor Cheng Weigao, and others on the province's performance in implementing the spirit of the 3d Plenary Session of the 13th CPC Central Committee and carrying out improvement and rectification, Comrade Zhao Ziyang pointed out: In carrying out improvement and rectification, we must first of all unswervingly implement the guideline of retrenchment and ease the demand shortages. However,

this is not just a simple question of retrenchment. While implementing the guideline of retrenchment, we must pay attention to studying the question of readjusting the economic structure, and get a good grasp of readjusting the industrial structure and product mix. Only thus can our achievements in improvement and rectification be consolidated. Improvement and rectification is a positive guideline.

Comrade Zhao Ziyang said: In the new situation of reform, opening up, and economic invigoration, we must find a new method of macroeconomic control [hongguan kongzhi]. This method certainly does not mean going back to the old road by which everything was fixed by the state and stifled to death. In recent years, we have paid a good deal of attention to weakening, breaking down, and abolishing the old order and to invigorating the economy and releasing this vitality, but we have not paid attention to correspondingly establishing new macroeconomic control, that is, a new order.

Comrade Zhao Ziyang said: The imbalance in China's economic development is not a short-term problem. We cannot wait until conditions throughout the whole country are ripe before establishing a new economic order. The coastal regions and the large and medium-sized cities where the conditions are ready should engage in this first, and their efforts should then gradually influence and radiate to the rest of the country.

After listening to a report on building the two civilizations simultaneously in Zhulin village of Gongxian County, Comrade Zhao Ziyang said, during a forum with the provincial party committee Standing Committee: The question of building the two civilizations simultaneously was raised relatively early. Comrade Xiaoping raised this question at a very early stage. However, viewing the present situation, we have not done enough in grasping work in the political and ideological field and the field of spiritual civilization. At present there is some confusion in society. On the one hand, it is very difficult to completely avoid a certain degree of confusion in the course of developing the commodity economy and carrying out reforms and opening up, due to external influences. On the other, such confusion is strongly related to our failure to get a sufficient grasp of things. Hence, we must seriously tackle the work of party building, ideological and political work, promoting honest government, and political and legal work.

Comrade Zhao Ziyang said: We are stimulating the development of the productive forces through carrying out reforms, opening up, and invigoration. However, we cannot throw away our traditional political strength on account of reforms, opening up, and invigoration. Our traditional political strength is ideological and political work. However, it is a fact that times have changed, objectives have changed, and the tasks have changed. We need to study, practice, and sum up experiences on the question of how to achieve still better results now in

ideological and political work and in party building. We must improve this work in light of the new situation and characteristics and embark on a new road.

Embarking on a new road certainly does not mean going back to the old road of giving prominence to politics, and still less does it mean reverting to taking the class struggle as the key link. In embarking on a new road, we must make efforts over a long period, and it is not something that can be done in a day.

Comrade Zhao Ziyang pointed out from his vantage point: We must devote energy to grasping questions in the ideological and political field. In this way, there will be a guarantee for our reforms, opening up, and invigoration. We not only need a new economic order but also a new political order. If our economy is invigorated but there is tremendous confusion in economic and production order and in politics, ideology, and public order, there cannot be an excellent economic and political environment for reforms and opening up. We must make simultaneous efforts to build a new economic order and a new political order, and these should complement the economic reforms and invigoration; these efforts should be integrated and stimulate each other.

In view of the fact that some enterprises reported that, following the institution of the plant manager responsibility system, when it comes to ideological and political work, in some units the plant manager feels out of place while the party secretary fears to exceed his duties, with the result that this work is paralyzed, Comrade Zhao Ziyang said: We can also embark on a road of forming a new pattern in ideological and political work while implementing the plant manager responsibility system. First, we must unswervingly follow the road; otherwise, we cannot progress along it. Second, in the course of following this road, we must continually resolve problems in concepts, customs, and systems, and augment and perfect our work in practice. The provincial and city party committees must put this matter on their agenda and strengthen ideological and political work in the enterprises, to ensure that the building of material and spiritual civilization in the enterprises will be better integrated and that the transition to a new pattern will be made as soon as possible.

Comrade Zhao Ziyang was extremely concerned about the progress of launching education in the current situation. After listening to reports delivered by responsible persons of the Zhengzhou city and Xinyang prefectural party committees on carrying out this education in a variety of forms, he profoundly pointed out: At present we must pay particular attention to integrating party building and improvement and rectification with education in the situation. This education is aimed at unifying people's thinking. To gain a unified understanding of the situation is an ideological problem to be resolved in

improvement and rectification. This education represents reeducation in the basic line laid down by the 13th CPC Congress and in the general guideline and policy of reform and opening up.

The difficult problem in education in the situation is that of how to make people correctly deal with unhealthy, ugly, and corrupt phenomena in society. We must tell the people that these are all problems in our advance and are not problems of decline. Our environment now is different from in the past. Since we have opened the windows, fresh air has flooded in but flies have also come in. It is not possible that there could be no corrupt and ugly phenomena in conditions of reform and opening up. So long as we truly and seriously grasp these things, our work can be done much better and the problems can be gradually resolved.

Taking a look back now, a very important reason why certain ideological confusion and lack of unified understanding has appeared among the masses and the party members and cadres is that there was insufficient ideological preparation for the reforms and people lacked sufficient understanding of the difficulty and the long-term nature of the reforms. In addition, there is also much controversy over unfair distribution. This reduces people's capacity to endure. On the one hand [as heard], we must tell people that it was not the aim of our policy to create such a phenomenon, and that it is a problem that has appeared in the course of implementing the policy. This situation will be gradually changed as our system is put onto the right track and we set to work to resolve these problems. Hence, in carrying out education in the situation, it is not enough to simply proclaim the achievements of the 10 years of reforms; we must also clearly explain these relatively difficult problems and combine education with practical moves in resolving the problems.

Comrade Zhao Ziyang said: This education in the current situation should enable the people to gradually attain unity in understanding regarding why we should carry out reforms, what the aims of the reforms are, and why all socialist countries need to carry out reforms. This is by no means fortuitous. Our socialist system is superior; however, for several decades this superiority was not given good scope. Through the reforms, the socialist system will eventually demonstrate its superiority over the capitalist system.

We must now guard against developing doubts over reform and opening up. At the same time, we must criticize the extremely erroneous view that the reforms cannot succeed unless China completely discards the socialist system. It is without doubt wrong to start wavering over reforms and opening up on account of the difficulties that have emerged in them. It is even more wrong to start wavering over the socialist system on account of the difficulties that have emerged in reforms and opening up.

Water Minister Acknowledges Misuse of Funds
OW1701073189 Beijing XINHUA in English
0648 GMT 17 Nov 89

[Text] Beijing, January 17 (XINHUA)—Yang Zhenhuai, minister of water resources, has made a self-criticism for using state money to give employees National Day bonuses last year.

Recently, after financial auditing, the State Council criticized the ministry and some other government institutions for indiscriminately distributing cash and goods among staff for festival celebrations.

A list of names of these institutions was disclosed in the Chinese press Saturday. In the afternoon, Minister Yang presided over a meeting where he made the self-criticism.

"I myself take responsibility for the mistake," he said. He pointed out that his predecessors had always encouraged plain living with hard work but he had failed to carry on this good tradition.

Just before National Day last year the ministry gave each of its employees 46 yuan to help them celebrate the festival.

As the traditional Spring Festival is nearing, the auditing administration has issued a circular calling on central government institutions to set a good example and not misuse state funds.

Institutions which continue to indiscriminately distribute cash and goods among their staff will be dealt with severely, the circular said.

Justice Ministry on Dissident Wei Jingsheng
HK1601053889 Hong Kong AFP in English 0521 GMT
16 Jan 89

[Text] Beijing, Jan 16 (AFP)—Leading Chinese dissident Wei Jingsheng, convicted in 1979 of counter-revolutionary crimes, remains in prison where his health is good, a Justice Ministry spokesman said Monday.

Reacting to a plea for Mr. Wei's release, the spokesman, Zheng Yong, gave no further details about the condition of the most famous member of the Beijing Spring pro-democracy movement in 1978-79.

"Wei Jingsheng's crime is a counter-revolutionary crime," Mr. Zheng said in a telephone interview.

"He was sentenced to prison by the people's courts of China. He is now serving his sentence in prison. His health is good."

Fang Lizhi, an astrophysicist and prominent critic of the Chinese authorities, wrote to senior leader Deng Xiaoping last week asking for a general amnesty of all political prisoners to mark this year's 40th anniversary of the 1949 communist revolution in China.

His letter specifically referred to Mr. Wei, who according to unconfirmed reports is in very bad health and may have become insane since he began his 15-year prison sentence.

Mr. Zheng said the ministry had not seen a copy of the letter to Mr. Deng, which received publicity in Western news media last week, but was familiar with its contents.

He took exception to Mr. Fang's reference to political prisoners, and reiterated China's claim that it has none.

"There are no political prisoners in China," he said.

He recalled, however, a section of China's criminal code which makes it illegal for an individual to attempt to overthrow "proletarian dictatorship and the socialist system."

China is within its rights as a sovereign nation to prosecute anyone seeking to overthrow its system, Mr. Zheng said, adding: "All countries in the world do so."

Like all criminals in China, those convicted of counter-revolutionary crimes can be eligible for commuted sentences or parole, he said.

Mr. Wei became the most prominent member of the Beijing Spring movement when he openly proposed that Mr. Deng and other Chinese leaders add democracy to their post-Mao modernization program.

"To release someone like him ... would be a humanitarian gesture and would have a beneficial effect," Mr. Fang wrote in his letter.

Further on Hong Kong Basic Law Committee Meeting

Committee Approves Articles
OW1401004489 Beijing XINHUA in English
1522 GMT 13 Jan 89

[Text] Guangzhou, January 13 (XINHUA)—One hundred and fifty-six of the 159 articles, as well as all the three appendices, in the second draft of the Hong Kong Basic Law were adopted by members of the Drafting Committee here today.

At a secret ballot this afternoon, these articles and appendices won two-thirds' support of all the drafters, who are attending the committee's eighth full session.

Included in these articles are ten proposals which were endorsed with two-thirds' support at another secret ballot earlier today.

The three articles that were blocked by the members respectively relate to the legal jurisdiction, financial policy and tax policy of the future Hong Kong Special Administrative Region (SAR). These articles will be discussed again by the relevant subcommittees and will be put to another vote on Sunday.

The committee also made a decision today on ways and means of forming the first government and Legislative Council of the Hong Kong SAR and a proposal on setting up a Hong Kong Basic Law committee under the national People's Congress Standing Committee.

Tax, Budget Provisions Rejected

HK1401031389 Hong Kong SOUTH CHINA
MORNING POST in English 14 Jan 89 p 2

[By Chris Yeung in Guangzhou]

[Text] Basic Law drafters are to hold talks today to seek a compromise over the three provisions that were rejected in secret ballots yesterday.

They are to study amendments to the original provisions to ensure a two-thirds majority support by the 55-member drafting body before the eighth plenary session ends tomorrow.

Two of the three articles call for a low taxation policy and a balanced budget, which critics say may jeopardise the autonomy of the post-1997 government.

The third provision relates to the future jurisdiction of Hong Kong's courts.

The rest of the 159 provisions were approved, even though most met opposing votes and abstentions.

Secret ballots on every provision were held yesterday afternoon after a first round of voting on whether 51 proposed amendments should replace the original articles.

All except 10 of the amendments were turned down.

Chartered accountant Sanford Yung initiated a proposal to delete the articles on low taxes and balanced budget but received only 19 votes in support, including one from senior Chinese official Lu Ping.

Mr Yung said: "I'll try to get Hong Kong people to speak up. We've not giving up. We'll get these people to see some sense."

Democratic Elections Rejected

HK1401031189 Hong Kong SOUTH CHINA
MORNING POST in English 14 Jan 89 pp 1, 2

[By Chris Yeung in Guangzhou]

[Text] Basic Law drafters have rejected local demands for greater democracy in Hong Kong after 1997 and agreed to new restraints on the introduction of universal suffrage.

The Beijing-appointed drafting body of 55 last night endorsed a controversial mainstream proposal to be included in the second draft to be submitted to the National People's Congress Standing Committee.

The drafters agreed to a proposal initiated by conservative businessman, Mr Cha Chi-min, to introduce rigid controls over the referendum planned to trigger full elections after 2012.

Opponents of the proposal, including drafter Mr Martin Lee Chu-ming, described the decision as "a great leap backward for democracy".

Mr Lee, whose Group of 190 proposal did not even have enough support to be tabled for a vote, said a full universal suffrage system might not even be introduced by 2047.

However, a senior Chinese official, Mr Li Hou, stressed that the draft was not yet final and there was still room for compromise.

"The present proposals still have to be amended in the future. It seems to me that the existing amendment suggestions are not mature enough. More time is needed for compromise," Mr Li said.

There were more than 14 opposing and abstention votes in the secret ballot, which also approved by a two-thirds majority all but three of the 159 articles and annexes.

The three relate to the jurisdiction of future courts and controversial economic policy statements of low taxes and balanced budget.

In two rounds of secret polling yesterday drafters voted firstly on 51 proposed amendments, of which only 10 were approved, and then on the draft itself.

Crucial amendments championed by locals and supported by influential drafters such as Mr Louis Cha over the mainstream proposal failed.

The mainstream proposal says a referendum should be held in about 2011 on whether the fourth chief executive and fifth legislature should be fully elected by a one-man, one-vote system. It suggests leaving details of the referendum to the future legislature.

It is now agreed that the referendum can only be held with the majority approval of the legislature, the consent of the chief executive and the approval of the Chinese National People's Congress Standing Committee.

The referendum results can only be valid if over 30 percent of eligible voters supported.

Another amendment that failed yesterday were a package of proposals advocated by the Group of 88 businessmen and professionals including the call to have part of the future legislatures elected by a 600-member grand electoral college.

Among the signatories of the proposed amendments to be put before the eighth plenary session are Executive Councillor, Miss Maria Tam Wai-chu, Mr Simon Li Fook-sean, Dr Raymond Wu Wai-yung, Mr Wong Poyan and Mr Lau Wong-fat.

Key supporters of the moderates' proposals, Mr Cha and Mr Tam Yiu-chung, expressed great disappointment. Mr Cha said future democratic development had been slowed down.

Mr Cha, who is the Hong Kong co-convenor of the political sub-group, said: "I hope the liberal lobby will hold talks with others. I'm convinced a consensus reached locally will most likely be accepted."

He said the sub-group would meet again "to try to make the political proposal better".

Mr Cha said he hoped the views of moderates could be accepted, adding they would not rule out the Group of 190 proposal.

A total of 39 drafters voted in favour of the annex on the selection of the future chief executive, with eight opposed and six abstaining, including Miss Tam.

Miss Tam said she was disappointed, adding she would fight for further amendments during the second consultative exercise.

The four [as published] proposals championed by the "moderates" are:

—A referendum should be held during the term of the second chief executive between 2002 and 2007 to determine if the post should be filled by universal suffrage after 2007 rather than by an indirect electoral system through an election committee.

—The deliberations of the election committee in selecting the first few chief executives should be democratic.

—The religious sector should be deleted from the composition of the election committee for selecting the chief executive and legislature.

Mr Cha said he was surprised and disappointed that two proposals of less controversial nature had not been approved. "It's a step backward. The ballot results indicated mainland drafters prefer gradual changes and more restraints," he said.

"I don't think people will lose interest to speak up during the next consultation. Any consensus with the backing of democrats will be a strong force. It's impossible for Beijing to simply ignore consensus views."

Mr Lee said: "I think they (mainland drafters) don't want to see democratic development in Hong Kong in any meaningful way. Democracy to them is simply allowing a minority of people to take part but not a majority who are not easily controlled and influenced by Beijing."

The mainland co-convenor of the political sub-group, Mr Xiao Weiyun, defended the vote, saying the set of procedures required for a referendum was not unprecedented and happened in countries such as Italy and Switzerland.

Official on Universal Suffrage

HK1501030089 Hong Kong SOUTH CHINA
SUNDAY MORNING POST in English 15 Jan 89 p 1

[By Chris Yeung in Guangzhou]

[Text] Senior Chinese official Mr Li Hou yesterday expressed strong reservations about a set of new restraints over the introduction of universal suffrage for the territory after 1997, warning it should be amended later.

Mr Li, who is secretary-general of the Basic Law Drafting Committee, said he was surprised that drafters had endorsed the proposal by Mr Cha Chi-min to have rigid controls over the referendum planned to trigger full elections after 2012.

The proposal was adopted on Friday alongside another "mainstream proposal" by Mr Louis Cha, which calls for a referendum to decide on the introduction of the direct election of a chief executive in 2012.

Mr Li said he was confident such a restraint would be reconsidered and amended during the second round of consultation starting next month.

"The results of this plenary meeting are not final. The present proposal will definitely be amended after the second round of consultation," he said.

Mr Li said he had expected the "mainstream" model to be adopted in full, or completely revised. Yet drafters had unexpectedly chosen to backtrack from that model by adopting the restrictions proposed by Mr Cha Chi-min over the prerequisites of the referendum.

Critics say those restrictions, which include endorsement of any referendum by a majority of the legislature, the chief executive and the standing committee of the National People's Congress, could delay the introduction of universal suffrage until 2047.

Mr Li said after the closing of the plenary session: "I was surprised that the proposal initiated by Mr Cha Chi-min was passed. I didn't vote on it. I abstained."

According to Mr Cha's proposal, which was supported by 38 of the 52 members who voted on Friday, one-man one-vote will be introduced in 2012 only if more than 30 percent of eligible voters support it in the referendum.

Mr Ji Pengfei, chairman of the Drafting Committee, also gave his assurance that the second draft would not be the final draft.

"It doesn't matter if Hong Kong people are dissatisfied now because there will be further amendments in future. Everybody should continue to give views. We will make amendments based on the views collected."

Yesterday, two other provisions in the 159-article draft were passed by a two-thirds majority of drafters, leaving only one provision that remains unchanged in the Basic Law second draft.

The article, which received only 35 votes, concerned the jurisdiction of future courts. Because a compromise could not be reached regarding the appropriate use of certain legal terminology, the original article is to be retained in the new draft law.

The original article says: "The SAR [Special Administrative Region] courts shall have no jurisdiction over cases which are constituted by acts of state. When the SAR courts come across questions concerning facts of state in adjudicating cases, they should obtain a statement issued by the chief executive regarding such questions."

The two controversial draft clauses on taxation and a balanced budget were amended to give the SAR government greater flexibility in making financial decisions.

Under the revised draft, the SAR is required to follow the principle of measuring expenditure by revenues in drawing up its budget. It should try to maintain a balanced budget and avoid deficits. It should adjust the budget with the growth of the gross domestic product.

On the contentious low taxes policy, it was amended that the future SAR could refer to the existing low tax policy in Hong Kong when deciding on its own the kinds and rates of tax, tax exemptions and other taxation matters.

Critics had said the original provisions might jeopardise the high degree of autonomy of the future SAR. The SAR government might also face legal disputes over the vaguely defined low taxes and the balanced budget stipulations.

Mr Wong said: "The merits of the amendments are that the spirit of a low tax and balanced budget policy is being embodied into the Basic Law without causing legal disputes."

The new draft will be forwarded to the Chinese National People's Congress standing committee for endorsement next month before the second round of public consultation.

Drafters now plan to compile a list of minority views over the Basic Law as reference to be sent together with the second draft.

The package over the controversial selection of the future chief executive received 39 votes in support, while the section over the formation of legislature got only 37.

Mr Li said the degree of support of the political proposals indicated members thought the present package "was not very good", but only accepted it as basis for further discussions.

Key supporters for the proposals made by the "moderates" to speed up the pace of democratic development, Mr Louis Cha and Mr Tam Yiu-chung, said they were surprised and disappointed with the adoption of the new restraints proposed by Mr Cha Chi-min.

They were, in particular, disappointed with the rejection of four proposals backed up by the moderates including the proposal to advance the referendum by five years to 2007.

He said: "We're not basically disagreeing with the amendment proposals made by local groups. Members mainly feel the discussions for a compromise so far are not mature enough for a decision."

"Since there will be a consultation the proposal will surely be amended," said Mr Li.

An NPC vice-chairman, Mr Wang Hanbin, said: "What is the consultation for if the proposals cannot be amended?" He added it was unlikely that the NPC standing body would amend the latest blueprint during next week's session before the second round of consultation was held.

On the controversial referendum proposal initiated by Mr Cha Chi-min, Mr Wang said he was confident that the future NPC would fully respect the majority wishes of Hong Kong people when deciding whether to approve the referendum bid.

Mr Cha said: "It's better to be more cautious. The future legislature has to consider public opinion to approve the referendum, if that's what the people want. Whether the set of procedures is in place makes little difference."

Mr Li asked: "How do you know the NPC standing committee will reject it? I'm an NPC member; I will approve it. I'm not the chief executive. If I were I would definitely approve it."

He urged the rival political lobbying groups to sit down and work out a compromise.

A local drafter, Dr Raymond Wu Wai-yung, who is a core member of the conservative Group of 88 said: "Unless there are new elements to serve as a catalyst, it will be difficult for a compromise to be reached."

"The Group of 88 always want to have compromise. We've made many concessions although our views have been ignored."

"Both the Group of 190 and the moderates have their own difficulties. It's difficult to have a compromise in the near future," said Dr Wu. "I don't think the call made by Mr Li Hou will make any difference."

Basic Law Draft Adopted

OW1401185889 Beijing XINHUA in English
1454 GMT 14 Jan 89

[Text] Guangzhou, January 14 (XINHUA)—The Hong Kong Basic Law Drafting Committee produced its second draft here today after three and half years of work.

At a secret ballot this afternoon, proposals for revising two of the 159 articles in the draft relating to financial and tax policies of the future Hong Kong Special Administrative Region (SAR), that were blocked yesterday won two-thirds' support among all the drafters present.

Another article dealing with the region's legal jurisdiction, won support among 35 of the 52 drafters at yesterday's ballot. A proposal for revising this article won only 33 votes today. Therefore the original article was taken as adopted.

The new draft, together with three appendices which were also adopted yesterday, will be published by the Standing Committee of the National People's Congress, which is expected to meet in February.

Drafting Committee Chairman Ji Pengfei hosted a dinner tonight to mark the adoption of the new draft. Ji thanked his fellow members for their "hard and fruitful work" during the past few days.

Flexible Economic Policy Approved HK1501033889 Hong Kong SUNDAY STANDARD in English 15 Jan 89 p 2

[By Ma Miu-wah]

[text] Basic Law drafters yesterday adopted principles on Hong Kong's future economic policy that avoid tying the hands of the Special Administration Region (SAR) Government after 1997.

The resolution could provide the SAR Government with more flexibility to implement fiscal and economic policies rather than having to present a balanced budget every years.

At a full meeting of the Basic Law Drafting Committee (BLDC) in Guangzhou, drafters agreed on Mr Wong Poyan's proposal to revise some of the strict policy guidelines.

One of the more significant changes was to the much-criticised provision that the HKSAR [Hong Kong Special Administration Region] should maintain a balanced budget over a number of years.

The revised provision now says that the HKSAR should "try to keep a balanced budget, avoid deficit and to keep in accordance with the growth rate of the gross domestic product (GDP)".

Instead of imposing a low taxation policy, the revised version of the provision now reads: "The HKSAR shall on its own make laws on the types of taxes, the tax rates, tax exemptions and other matters concerning taxation".

The amendments were made following stern warnings from economists and others that the existing provisions would reduce the flexibility of the HKSAR which, in case of emergency and depression, might not fulfil the balanced budget requirements over a certain period.

As low taxation was included in the existing draft, it was believed that this should become a guideline and not a constraint which might eventually be used in court cases against the government.

Mr Wong's proposal won substantial support from other drafters over one by Miss Maria Tam, who suggested separating the policies from the main text and putting them in an annex.

A bid to bring in a last minute amendment to the jurisdiction of the HKSAR courts was turned down.

The only change to Article 19 was a note to specify that it was the only article not approved for revision by a two-thirds majority of drafters.

The article stipulates that the HKSAR courts would have no jurisdiction over cases concerning acts of the state, which is a Common Law provision.

The drafters will decide today on the flag and emblem of HKSAR from the 12 finalists selected by a working group.

The BLDC secretariat also announced that the 159 articles and three annexes were formally endorsed by the BLDC.

The draft was now ready to be put to the Standing Committee of the National People's Congress for approval next month.

Although it was not finalised, the BLDC chairman, Mr Ji Pengfei, intended to have all proposals which failed to get through the BLDC with majority support submitted to the NPC Standing Committee for reference.

Flag, Emblem Designs Rejected

HK1601052289 Hong Kong SOUTH CHINA
MORNING POST in English 16 Jan 89 p 1

[By Chris Yeung in Guangzhou]

[Text] Basic Law drafters have rejected all 12 short-listed designs for the flag and emblem for Hong Kong after 1997.

The general level of designs, selected from more than 4,000 in a worldwide contest which ended in November, was criticised as sub-standard.

As a result, the major prize and five runners-up prizes in each category will not be awarded, although the organizing committee has not revealed what the prizes would be.

Apart from the six main prizes, they were to give 20 merit awards.

Of the 46 members who attended the last day of the eighth plenary session yesterday, more than half either cast opposing votes or abstained in secret ballots on the short-listed designs.

One design failed to receive even a single vote of support during the first round of voting.

Only two from each category won slightly more than 10 votes.

Although four designs from each category were eliminated after the first round of voting, the remaining two still failed to get a two-thirds majority during the second round of voting.

Under the standing orders of the drafting body, a decision has to be approved by two-thirds, or 37 out of 55 drafters.

The chairman and vice-chairmen have decided to ask the judging panel to meet again to discuss ways of coming up with a satisfactory design before the Basic law is promulgated next year.

One option is to call on professional designers in Hong Kong and China.

The short-listed designs were chosen in two rounds of selection. A total of 26 designs each for the flag and emblem categories were picked in April and the last 12 designs short-listed by the judging panel in November.

Under the original schedule, the drafting committee was to select the designs at its eighth plenary session and submit them together with the second draft of the Basic Law to the Chinese National People's Congress Standing Committee next month.

The mainland convenor of the judging panel, Mr Qian Weichang, declined to comment on the standard of the designs, adding "no one can control the standard of the designs".

"There will not be any designs submitted to the NPC standing committee next month. We will most likely meet after the NPC session to decide what to do next."

Drafters sought a new flag and emblem for the territory to reflect the policy of "one country, two systems" and the characteristics of Hong Kong.

Of the 12 short-listed designs, some used the "five stars" found in the mainland flag to symbolise the "one country" concept while representing the "two systems" in two colours, for example, red for socialism and blue for capitalism.

Critics said many designs gave too much emphasis to reflecting the sovereignty of China.

Committee Ends Session

OW1601102489 Beijing XINHUA in English
1431 GMT 15 Jan 89

[Text] Guangzhou, January 15 (XINHUA)—The week-long eighth session of the Hong Kong Basic Law Drafting Committee ended here today after producing the basic law's second draft.

The draft will be forwarded to the Standing Committee of the National People's Congress for publication and canvassing public opinion in Hong Kong and on the mainland.

Drafting Committee Chairman Ji Pengfei described the session as having been proceeded according to "democratic procedures" and the drafters having done their work in a "very serious and responsible manner."

He told fellow drafters that they still have much to do because "one article in the draft failed to win two-thirds support in the committee and even for those articles adopted by the Drafting Committee, they cannot be said as perfect."

Ji called on the drafters to heed and solicit public opinions extensively when the draft is published.

The drafters also worked out a communique on the session today which, among other things, thanked the Hong Kong Basic Law Consultant Committee for its work in helping the Drafting Committee produce the first and second drafts.

Earlier today, the drafters adopted methods for selecting designs of the flag and emblem of the Hong Kong Special Administrative Region. They blocked all the six flag designs and the six emblem designs which have gone through the first two rounds of selections by a selection sub-committee under the Drafting Committee. The Drafting Committee's chairman and vice-chairmen entrusted the selection sub-committee to work out a settlement for the issue.

PRC Officials Urge More Talks

HK1601052689 Hong Kong SOUTH CHINA
MORNING POST in English 16 Jan 89 p 6

[By Chris Yeung]

[Text] Senior Chinese official Li Hou has called for calm and more talks between local groups over the controversial post-1997 political framework which he says can definitely be improved.

And in his closing address to the eighth plenary session of the Basic Law drafting body yesterday, Chairman Ji Pengfei also maintained the present proposals were far from perfect and should be amended after the second round of consultation.

The assurances were made amid mounting criticism over the endorsement with new restraints of the so-called "mainstream proposal" by drafters during the week-long plenum.

Hong Kong co-convenor of the political sub-group Louis Cha and member Miss Maria Tam Wai-chu appealed for greater unity among drafters and the community to fight for amendments to the present blueprint which they feared was too conservative.

Miss Tam said: "If we are united we have the real influence and enough votes to block any proposals that Hong Kong people do not like. Don't forget, unity is strength."

Leading drafters interviewed, however, said they were satisfied with the second draft.

All except one of the 159 articles in the draft received a two-thirds majority in support during the several rounds of secret ballots.

But at least one local drafter, Mr Martin Lee Chu-ming, voted against or abstained on all the provisions and annexes.

Without mentioning Mr Lee, the left-wing WEN WEI PAO quoted an unnamed drafter as saying the move was childish.

The drafter was quoted as saying people who voted against provisions which were copied from the Sino-British Joint Declaration should have never taken part in the drafting.

But Mr Lee said: "I gave deep and calm consideration before casting the votes. They misunderstood me. I've not opposed the Joint Declaration. I'm against the way the plenary session was held. The two-thirds majority requirement was unreasonable."

"I had hoped the mainstream proposal could be amended. But instead they agreed to new restraints. That's a great step backwards. I'm afraid more people will lose their confidence over the future," he said.

A key supporter of the proposals made by the moderates, Louis Cha, said: "I'm a little bit disappointed but not pessimistic. I think eventually the moderates' proposals will very possibly be passed."

The moderates' package was among a total of 42 proposed amendments. Only 10 received the two-thirds majority to replace the original provisions.

Mr Ji said the defeated amendments would be sent together with the draft to the National People's Congress standing body.

He also defended the plenum saying it was held according to democratic procedures and that the two-thirds majority requirement indicated that drafters had decided the provision in a serious and responsible way.

Official Journal Cited on Cases of Prostitution

HK1601101889 Hong Kong AFP in English 0935 GMT
16 Jan 89

[Text] Beijing, Jan 16 (AFP)—Hundreds of young girls, some barely 14 years old, are forced into prostitution or choose the profession voluntarily in roadside hostels for truck drivers and travellers in China's eastern Zhejiang Province, according to the local LEGAL DAILY.

Hundreds of women work in several dozen hostels in Zhejiang, according to "incomplete statistics" gathered last year, the official paper said.

The journal said there were 34 prostitutes working in restaurants and hostels in the Hanghui District in eastern Zhejiang alone, 31 of whom had never been to secondary school.

Truck driver Xiao Jing, for example, was welcomed with open arms by "a very nice waitress" when he entered one of the roadside truck stops. At the end of the evening, he discovered the waitress in his bed, the paper said.

Clients of these "houses of ill repute" are often truck drivers but also company directors and Communist Party officials. Hostel owners often provide card games and pornographic magazines to make seduction more easy, it said.

In some cases, company managers have lost all interest in their work after their encounters, jeopardizing their businesses, it added.

China's official press rarely mentions prostitution, a taboo subject despite its growing visibility in the country's larger cities, political observers say.

However, newspapers from China's southeastern Guangdong Province next to the British territory of Hong Kong have noted the existence of these reconverted hostels located mostly along the region's main trucking routes.

In luxury hotels it is not uncommon to see prostitutes waiting for their clients. The main lobby of the Jinjiang Hotel in Chengdu, the capital of Sichuan Province in the southwest, has become a well-known meeting spot for women who "sell their smile," as the Chinese expression goes.

Prostitution was one of the first targets of the communists after they took power in 1949 and thousands of prostitutes in Shanghai were sent to reeducation camps.

RENMIN RIBAO Discusses Nude Paintings
HK1101153189 Beijing RENMIN RIBAO in Chinese
7 Jan 89 p 4

[Article by RENMIN RIBAO reporter Lai Renqiong (6351 0088 8825): "Thought-Provoking Nude Paintings Exhibition"]

[Text] Nude Paintings Exhibition Shocks Capital

Toward the end of the year of the dragon, the first exhibition ever of nude paintings in the country came as a shock to the capital. Workers, peasants, soldiers, students, individual entrepreneurs with or without knowledge of art, and even white-haired people walking with the help of canes and innocent kids jostled against each other heading for the China Art Gallery.

During the exhibition the organizers also received invitations from art associations and museums in Beijing, Shanghai, and Shenzhen to hold exhibitions there. From this it can be seen that the nude paintings exhibition has produced a strong impact.

Chinese and foreign correspondents from more than 60 news units in Beijing kept a close watch on tidbits of news from this art exhibition.

At the end of the 1980's, why should the nude painting exhibition create such a stir in the capital? This is thought provoking.

Some people consider that human body art has long been a taboo in our country. Once the prohibition is lifted there is inevitably the momentum from a pent-up desire. There is no denying that many people came out of sheer curiosity or for the fun of it. But human body art provides an enlightenment on beauty, on morality, and on science. Its enlightening effects will naturally be proved by future facts.

Some people also consider that our country is at present in a period of realizing human value. Human body art reminds people of the need to never forget people as being the center and the master of art and science. Human body art has raised man's level of self-understanding, influenced his sentiments, and inspired his reason, thus making him appreciate his own rights as a human being.

In the more than 10 days of the exhibition, the hot subject of debate was not just the paintings themselves. There also arose heated discussions on ethics, human nature, human rights, and so forth.

The Storm Over Models

Painters have tried their best to portray people in their works but because of their negligence over something about people, a storm of sorts has been caused over models.

Model A and Model B willingly went to the Central Art Gallery to act as models. In a country that has gone through several thousand years of feudal society, their courage in dedicating themselves to such art is praiseworthy. But for various reasons, they concealed this matter from their own husbands and relatives.

The day the exhibition opened Model A showed up to take a look. When she was recognized in the exhibition hall by some individuals and mocked, she suffered great mental pressure. A lack of understanding on the part of her husband caused her extra pain.

What Model B experienced seems hardly believable, as if from fiction. The night the exhibition opened, she purposely went out with her husband. They wandered through the streets for some 2 hours. She wanted to have

him miss the television broadcast at home. If her husband should see on the screen that the subject of some paintings was none other than his own wife, then the consequences would be unthinkable. She succeeded for that matter but the last thing she expected was that her father-in-law and mother-in-law would recognize her on the screen that night. The next day, when Model B's husband arrived home his parents told him angrily: "She has brought disgrace on our family."

Therefore, these models demanded a change of the relevant works on display. They considered that the exhibition had encroached upon their rights as far as their likenesses were concerned. They asked a lawyer to seek legal protection. There were also such demands as a pay increase, economic compensation, and so forth.

Is it an encroachment on the models' rights of their likenesses? There are differing views from various quarters.

Some people say that painters put their own creativity into a work in the process of painting. Once a work of art is produced it should naturally be owned by the painter. It cannot be treated as an encroachment on a model's rights.

On 4 January 1989, the lawyer acting for Models A and B announced at a press conference for Chinese and foreign correspondents that the unit organizing the exhibition and the relevant publishing house had encroached upon the rights of Models A and B as far as their likenesses and their reputations were concerned. This is based on the stipulations in Article 100 of the Civil Law.

Some other people think that the lawyer's view about the organizers and the publishing unit, having violated rights, exactly points to our civil law being imperfect. The "General Rules of the Civil Law" now in force must be further perfected. Otherwise, there will be more and more civil cases about works of art.

"Recognize Yourself"

For days running there had been an ever greater number of viewers at the exhibition. This made people think of the divine admonition on the wall of the Apollo Temple: "Recognize Yourself!" For how many years has this ancient and ever true exhortation inspired one generation of explorers after another? From different angles, students of sociology and social sciences have revealed the mysteries of man, enabling mankind to develop continuously new breadths and depths in recognizing itself.

Some people say that the stir caused by the art exhibition reflects a change in the people's state of mind in appreciating beauty. It is a phenomenon of social cultural development. Of course, the exhibition of paintings itself can hardly be compared with the cultural effects it

produces. But it has initiated a new stage in the study of human body culture and thus set us to thinking various wholesome thoughts about mankind itself.

Article Reviews PLA Military Research HK1701041789 Beijing JIEFANGJUN BAO in Chinese 6 Jan 89

[Article by the Editorial Group of the "Study Military Affairs" column: "Seeking Progress in the Course of Reflection"]

[Text] Although 365 days is only a very brief episode in the long process of history, people still attach great importance to every new year because it foretells of new achievements and opportunities.

In the past, whenever we celebrated a new year, we always extended holiday greetings and compliments to our readers. This year, however, we would like to make an objective analysis of the development of our military research work over the past few years so as to enable our readers to see not only the achievements, but also the problems of our military research work. We hope that by making such an objective analysis, we will be able to clearly define the orientation of our military research work and establish a new task based on that reflection. To this end, this year, we will inevitably say something other than holiday compliments.

The past decade since the 3rd Plenary Session of the 11th CPC Central Committee has witnessed an unprecedented rapid development of our Army's military research work. It is no exaggeration for us to say that over the past 10 years, our Army's military research work has achieved unprecedented successes and has been invigorated to an unprecedented level. However, despite these successes, some problems have still existed in our Army's military research work. For instance, some "red flowers and green leaves" in our military academic circle can in no way indicate the real prosperity and development of our Army's military research work. In the last 10 years, numerous military academic symposiums have been held under various titles and a large number of military research results have also been produced. However, we still lack a number of advanced military theories to guide our Army building. The reform of our Army has called for the formulation of more advanced military theories. Our Army needs new military theories to tackle its new problems. There has been a sharp contrast between a huge number of military symposiums, military academic publications, and military academic works and theses on the one hand and a small number of new ideas, mature theories, and applicable military research achievements on the other over the past 10 years. There has also been a sharp contrast between a large number of academic personnel engaged in the military research work and a small number of achievements scored in the military research work over the past 10 years. As a result, there has been an imbalance between the military academic activities and the military

academic results. What is most worrying is that there has been a tendency toward seeking quick success, instant benefits and toward engaging in short-term behavior in our military research work. Such a tendency has already become a hindrance to the development of our Army's military research work.

We have no intention of pouring cold water on our Army's military research work. We know that we should make continued efforts to push ahead with our military research work rather than slow it down. However, our military research work cannot be promoted merely by slogans. At present, what we should do is to reflect upon, take into consideration, and sum up our past experiences so as to discover, in a levelheaded way, the root of the existing problems of our military research work through an analysis of the various bustling phenomena in our military research work. The lack of military theories has not been caused by the "cooling down" of our military research work, so the operation mechanism of our military research work cannot be improved simply by "heating up" our military research work. Under such circumstances, only by finding out the root cause of the existing problems in our Army's military research work and practically solving these problems will we be able to push ahead with our Army's military research work in the new year.

Science and technology are the primary productive forces. This is a scientific view that is universally recognized in the military academic circle and approved by the CPC Central Committee. Since military science is a component part of science, it no doubt belongs to the primary productive force, or to say, the primary combat effectiveness. In the present era, if we did not make every possible endeavor to bring into full play the guiding role of military science and did not possess advanced "primary combat effectiveness," it would be impossible for us to make any breakthroughs in our military practice and build a powerful modern army. Some of our comrades often admire the frequently updated military policies of some developed countries in the world. However, what these comrades do not know is that such frequently updated military policies have resulted from the rapid development of the military research work because the putting forward of every new military policy is no doubt preceded by a lot of vigorous and conscientious military research work. Only after Daniel O. Graham and some 10 other well-known U.S. scientists and strategists conscientiously carried out their military research and finally wrote the "High Frontier" Research Report" was it possible for the Reagan Administration to formulate its "Strategic Defense Initiative" (namely, the "Star Wars Program"). Likewise, only after the U.S. military academic circle carried out an in-depth analysis of and study on all the global strategic questions as well as on the development trend of modern warfare was it possible for the United States to enforce its present "discriminating deterrent strategy."

Nowadays, all the countries in the world are striving to develop their own "primary productive force" respectively. The development of military theories is thereby in a period characterized by drastic changes. Under the new circumstances, we should remain levelheaded, clearly seeing both the achievements of our Army's military research work and the problems still existing in our Army's military research work, and understand that the slow development or stagnation of our Army's military research work might plunge the reform of our Army and the entire national defense cause of our country into a terrible crisis.

We should make practical efforts to acquire a clear understanding with respect to the following questions: What is the main hindrance to our Army's military research work at present? Does the main hindrance to our Army's military research work come from within the military research circle or from outside the military research circle? What is the external cause of such a hindrance? What is the internal mechanism obstructing the development of our Army's military research work? Are the activities of our Army's military research work still being carried out in accordance with the law of their own development? What is the fundamental way out for our army's military research work?...

In order to acquire an objective and realistic understanding of these questions by dint of the wisdom of the broad masses of our readers, our paper has decided from now on to unfold discussions on how to further promote our Army's military research work in the new "Academic Column" with a view to readjusting our understanding through deliberations, improving our Army's military research work and our Army's military research method, and creating a fine internal and external environment which are conducive to our Army's military research work. We sincerely hope that all the comrades will work hard together with us so as to successfully accomplish this glorious task in the new year.

Yuan Mu Discusses Economic Situation, Targets
OW1301204489 Beijing Television Service
in Mandarin 1140 GMT 13 Jan 89

[News conference held by State Council spokesman Yuan Mu with foreign and domestic reporters on 13 January at the All-China Journalists' Association in Beijing—recorded]

[Text] [Announcer] Yuan Mu, spokesman of the State Council, spoke to reporters about China's economic situation, progress in improving the economic environment and rectifying the economic order, and the State Council's arrangements for this year's economic work at the All-China Journalists' Association this afternoon. He also answered reporters' questions.

[Yuan Mu] The year 1988 was one of sustained economic growth in China. The gross national product reached 1,360 billion yuan, up 11.2 percent from 1987.

National income grew by 11.4 percent, and total volume of retail sales by 28 percent. These figures show that the Chinese economy is surging ahead, with problems reflected mainly in an overheated economy and conspicuous inflation. The industrial growth rate remained excessively fast at 17.5 percent in 1988, while the inflation rate, i.e., the margin of price rises, was 17.7 percent. The annual price rise index was 18.5 percent.

In the 3 and 1/2 months since the 3d Plenary Session of the 13th CPC Central Committee, initial results have been achieved in improving and rectifying the economy. They are manifested mainly in the following aspects:

First of all, the trend of drastic price increases has somewhat slowed down. Although the broad masses of people are still unhappy with price increases, their anxiety has slightly decreased. Savings deposits have gradually picked up. As of the end of 1988, surplus savings deposits by urban and rural residents totaled 379.8 billion yuan, an increase of 72.46 billion yuan over 1987.

The investment scale of fixed assets has, to a certain extent, been brought under control. As of the end of November—the December figures are still not available—10,200 construction projects involving a total investment of 33.4 billion yuan had been suspended or postponed in various localities across the country.

A tremendous job has been done to restrict the excessive increase of consumption funds, and the growth rate of institutional purchases has begun to drop. A general examination of matters related to pricing, accounting, and taxation has produced some results. As of the end of November, a total of 7.9 billion yuan derived from violations of discipline had been uncovered throughout the country. Of this, 4.4 billion yuan should have been delivered to the state, and 2.4 billion yuan had been collected for the state coffers.

The work to check on and consolidate corporations has been carried out in an all-around manner. Some 200 cases of violations of discipline and law have initially been brought to light from among 600 or so corporations under the management of various State Council departments. These cases are being further investigated and handled. In the course of consolidation, some 30 corporations were discovered engaging in illegal businesses without registration. The State Administration for Industry and Commerce will crack down on these corporations.

Judging from the country as a whole, market supply is basically normal. Panic buying of commodities that occurred in many localities last year has been basically calmed. In view of the upcoming Spring Festival, various local governments have made earnest arrangements for the supply of festival goods. The supply situation will be better than last year. There will be a plentiful supply of commodities. The supply of ration goods, such as grain,

edible oil, meat, and eggs, will be ensured. During the Spring Festival period, 600 million kg of vegetables will be transported from the south to the north, an increase of 20 percent over last year.

I would like to emphasize that the aforesaid situation illustrates that initial results have been achieved in improving the economic environment and rectifying the economic order. However, these results, which are still far short of our targeted goal, should not be overestimated. Therefore, the State Council has called for continuing the efforts to improve the economic environment, rectify the economic order, and strengthen the reform in the work of 1989, and to do a good job in work involving the following fields:

1. It is necessary to make determined efforts to slow the still excessive high growth rate to a reasonable level. The government is aiming for a GNP increase of 7.5 percent this year, 3.7 percentage points lower than the actual level of last year. Industry will grow at 8 percent, 9.7 percentage points lower than the actual level of last year, and agriculture will rise by 4 percent, up 1 percentage point from the actual and targeted level of last year.

2. It is necessary to utilize various means, including mainly economic and some administrative means, to strive to curb inflation and ensure that price rises this year are considerably lower than those of last year.

3. It is necessary to further reduce the investment scale of fixed assets. The construction scale of this year will be reduced by 22 percent over the actual level of construction in 1988. To achieve this target, the State Council has recently instructed various localities to follow the principle of first stopping all projects that should be cut and then making an inventory of them. The principle is being implemented by various localities.

4. It is necessary to increase the investment in agriculture and strive for a bumper agricultural harvest. While budgets in all fields must be cut, the investment in agriculture should be increased this year. The central government will increase agricultural investment by 400 million yuan, an increase of 14 percent over last year, and the local governments and other sectors of society will also increase the investment. The total increase is expected to amount to several billion yuan.

5. While reducing the overall investment scale, the state will not decrease but will slightly increase the investment in science and technology. The central government will increase the investment in education by 200 million yuan, an increase of 35.7 percent, and funds raised by the local governments and various sectors of society for education are expected to increase by an even bigger margin.

6. While reducing the demand, it is necessary to increase effective supply, that is, the supply of farm and subsidiary products including mainly grain, cotton, and edible

oil; manufactured goods for everyday use by the people; commodities in great market demand; raw and semifinished materials and energy sources in short supply; and export commodities. The central government has also called on various local governments to pay particular attention to the production and supply of nonstaple foodstuffs, especially in cities.

7. It is necessary to continue to strengthen the reform of enterprises and other areas. The drive to improve the economic environment and rectify the economic order is to be carried out under the premise of upholding the direction of reform, and it will not affect, but rather create a better environment for, the reform.

8. It is necessary to continue to develop foreign trade and implement the strategy for coastal economic development. The drive to improve the environment and rectify the order should not impede China's opening to the outside world. We believe that effective use of the condition created by China's opening to the outside world can help us alleviate domestic economic difficulties. Therefore, China will continue to develop foreign trade and economic relations. Foreign businessmen are especially welcome to set up solely-funded enterprises in China, or to use the existing enterprise equipment and factory buildings to set up joint ventures.

[Unidentified female Caucasian reporter seen standing and speaking, with an unidentified male interpreter acting as translator] What will the projected inflation rate be in 1989?

[Yuan Mu] It is difficult to give a precise figure, but we can anticipate that the inflation rate will be about 3 to 5 percentage points lower than last year. In my opinion, this is possible if the job is done well.

[Unidentified male Oriental reporter] How many people have lost their jobs because of the optimal organization of labor and reduction of construction projects, and what arrangements have been made for them? Thank you.

[Yuan Mu] China's current unemployment rate is 2 percent, probably the lowest in the world. In improving the environment and rectifying the order in the coming year, this figure may increase slightly, say about 1 percentage point. Even if this is the case, it is still very low. We will provide the unemployed with social security to ensure their basic livelihood, although their income will slightly decrease. Therefore, in my opinion, this issue will not create major social problems in China.

[Unidentified female Caucasian reporter] Did the issuance of currency exceed the planned target for last year? If it did, what was the specific amount of excess renminbi issued? What is the target for this year?

[Yuan Mu] As the lady reporter has just said, currency issuance did exceed the planned target for 1988 by a large margin. This was caused precisely by an excessive

demand. The total demand of society being greater than the total supply and excessive issuance of currency is a major cause of the conspicuous inflation at the present. Therefore, in improving the economic environment and rectifying the economic order this year, we will further tighten currency issuance.

[Unidentified male Oriental reporter seen speaking, with translation by an interpreter] Does this mean that the renminbi will be devalued?

[Yuan Mu] At the present, there is no such plan. The renminbi's exchange quotations against foreign currencies remain unchanged at the present.

[Central Television Station reporter] I am a reporter from the Central Television Station. I would like to ask a question: People in some circles feel that the figures released by the government do not reflect the impact of price rises actually experienced by the people. In this connection, what is the government's understanding regarding and solution to this discrepancy? Thank you.

[Yuan Mu] Commodity price index statistics released by the State Statistics Bureau are calculated with a method in common use in the world. Surveys and statistics are first taken, normally six to eight times monthly, on prices of more than 300 typical commodities with more than 1,000 specifications in 150 cities, 203 county capitals, and 14,000 stores and village fairs across the country. Then, the host of data are assembled in the State Statistics Bureau. After complicated calculations with computers, the weighted average of the commodity prices index is obtained. This method commonly used in the world is scientific and reliable. Why do the masses of people often feel the State Statistics Bureau's figures do not realistically reflect their personal experience? This is because it is impossible for consumers to frequently—every day and every hour—buy the several hundred kinds of commodities covered by surveys for state statistics, i.e., they consume only certain kinds of the commodities, such as meat, poultry, eggs, vegetables, goods for everyday use, clothes, and so forth. Price rises of these commodities are higher than the weighted average of the several hundred kinds of commodities. Therefore, the people feel that figures released by the State Statistics Bureau are lower than their actual experience regarding price increases. In my opinion, this is fair, reasonable, and understandable. Hence, I would like to make two points: First, the figures obtained by the State Statistics Bureau through the scientific method are reliable. Second, the feelings of the masses are understandable. In order to resolve the contradiction, the State Council has planned to select dozens of commodities used every day by the people for compiling statistics and releasing the consumer index of workers and staff members after calculation. The plan is being carried out. When the time comes, the figures will be published in newspapers regularly, thereby resolving the contradiction.

[Unidentified Oriental male reporter] What is the situation regarding this year's foreign exchange reserves and balance? Please give concrete figures if possible.

[Yuan Mu] Currently China has U.S.\$18 billion in foreign exchange reserves, including the cash reserves and the reserves of the Bank of China.

On Foreign Exchange, Open Policy

OW1301234189 Beijing XINHUA in English
1257 GMT 13 Jan 89

[Text] Beijing, January 13 (XINHUA)—State Council spokesman Yuan Mu said today that China's foreign exchange surplus was 18 billion U.S. dollars at the end of last year.

Addressing a press conference here, the spokesman said that the figure includes the country's cash reserves as well as the foreign exchange reserves of the Bank of China.

"The government has no plan to change the exchange rate of the renminbi against foreign currencies," Yuan noted.

Responding to a question from a Japanese reporter, the spokesman said that the decision by the Foreign Enterprise Service Corporation (FESCO) in Beijing to charge foreign exchange for their employees' salaries was made without approval and has already been cancelled.

China's open policy and utilization of foreign capital, Yuan said, are showing a growing tendency on the whole, despite the domestic retrenchment since last September to curb the overheated economy.

Statistics show that total foreign investment in China last year reached 8.8 billion U.S. dollars, 1.62 billion more than in the previous year.

Yuan said that domestic firms are still required by the government to honor contracts signed with their foreign partners. There will be no change in this policy even during the economic retrenchment, he added.

He admitted that some contracts have witnessed breaches in the past few months but pledged that the government would set straight all such cases if the breaches were caused by the Chinese side.

On Improving Economic Order

OW1401032289 Beijing XINHUA Domestic
Service in Chinese 1315 GMT 13 Jan 89

[From the "Local Broadcast News Service"]

[Text] Beijing, 13 Jan (XINHUA)—At a news conference sponsored by the All-China Journalists' Association today, Yuan Mu, spokesman for the State Council, revealed: The Chinese economy registered sustained

growth in 1988, with its gross national product reaching more than 1,360 billion yuan, up 11.2 percent from 1987; its national income rising 11.4 percent; and the total volume of retail sales growing 28 percent. The main problems in China's economic development are its overheated economy and inflation. The industrial growth rate remained high, at 17.7 percent, and the retail commodity index rose 18.5 percent for the whole year.

He said: In the 3 and 1/2 months since the 3d Plenary Session of the 13th CPC Central Committee, initial results have been achieved in improving the economic environment and rectifying the economic order. They are manifested mainly in the following aspects:

— The trend of drastic price increases has somewhat slowed. The rate of price increases decreased by 0.3 percent in November and by another 0.8 percent in December from their respective preceding months, indicating a somewhat downward trend in the rise of commodity prices. Although the broad masses of people are still unhappy with price increases, their anxiety has eased to some extent.

— Savings deposits have gradually increased. The amount of urban and rural savings deposits dropped by 2.614 billion yuan last August. However, deposits have begun to increase since last September. By December, some 11.238 billion yuan had been added to savings accounts. The amount of urban and rural savings deposits reached 379.8 billion yuan, an increase of 72.46 billion yuan over that of 1987.

— The size of investment has, to a certain extent, been brought under control. As of the end of last November, 10,200 projects involving investment in fixed assets had been stopped or postponed in various parts of the country, reducing the amount of investment by 33.4 billion yuan.

— A tremendous job has been done to control the excessive increase of consumption funds. The growth rate of institutional purchases has begun to come down, dropping 3.9 percentage points in September, another 4.5 percentage points in October, and yet another 6.8 percentage points in November, from their respective preceding months.

— The general tax, accounting, and tax inspection has produced certain results. As of the end of November, a total of 7.9 billion yuan derived from violations of discipline had been uncovered in various parts of the country. Of the 4.4 billion yuan that should have been paid to the state treasury, 2.4 billion yuan has already been collected.

— The work to check and consolidate corporations has been carried out in an all-round way. More than 200 cases of violation of discipline and law have initially

been discovered among the more than 600 corporations under the management of various departments of the State Council. These cases are being further investigated and dealt with.

Yuan Mu added: For the country as a whole, market supply is basically normal. Panic buying of commodities that occurred for a time last year has basically stopped. There will be a fairly plentiful supply of commodities for the coming Spring Festival, thanks to the earnest arrangements in market supply by the government in various localities.

On Public Enterprise Ownership

OW1301184589 Beijing XINHUA in English
1510 GMT 13 Jan 89

[Text] Beijing, January 13 (XINHUA)—China will adhere to the public ownership of enterprises as its main industrial form, said State Council spokesman Yuan Mu at a press conference here today.

China will not consider privatization of its enterprises, he said.

Enterprises in China will practise the principle of the separation of ownership from the power of management, he said, adding that the contract responsibility system will be further applied.

He said a shareholding system will be set up in the country's state-owned enterprises on a trial basis. However, he pointed out, the aim of the system is not to privatize the enterprises, but to make clear the relationship between the property rights and the ownership.

He stressed that the ownership of enterprises under the socialist system is an important issue which has been under discussion over the past decade as the nation strives to find an optimum method of public ownership of the enterprises.

Academic circles are probing this issue and have put forward some proposals. "We encourage them in their efforts," Yuan said.

On 1989 Economic Work

OW1401024589 Beijing XINHUA Domestic
Service in Chinese 1613 GMT 13 Jan 89

[From the "Local Broadcast News Service"]

[Text] Beijing, 13 Jan (XINHUA)—Yuan Mu, a spokesman for the State Council, told Chinese and foreign reporters today about some arrangements made by the State Council for improving the economic environment, rectifying the economic order, and deepening reforms in an all-round way.

He said: In 1989, we will concentrate on the work in the following areas:

— We will resolutely lower the present excessively high growth rate to a reasonable level. It has been preliminarily projected that this year's growth rate for the gross national product will be 7.5 percent, 3.7 percentage points lower than last year. The industrial growth rate will be 8 percent, 9.7 percentage points lower than last year. The agricultural growth rate will be 4 percent, 1 percentage point higher than last year.

— We will use various means, including mainly economic and some administrative means, to strive to curb inflation and make this year's price rises noticeably lower than those of last year.

— We will further reduce the investment in fixed assets, aiming at cutting back the investment by 22 percent from last year's actual investment. In order to achieve this objective, the State Council has instructed that projects in nine categories under construction be suspended before they are reexamined.

— We will increase the investment in agriculture and strive for bumper agricultural harvests. Despite financial and monetary retrenchment, the central government will strive to increase its agricultural investment by 14 percent, or 400 million yuan, over last year. Local governments and other quarters will also increase their agricultural investment. The total is expected to be several billion yuan. The agricultural banks and credit cooperatives will increase agricultural loans by 18 billion yuan, up 22 percent from last year.

— While reducing the overall investment scale, the state will not decrease its investment in science and technology. The central government will increase the investment in education by 200 million yuan, up 35.7 percent. Local governments and the departments concerned will also take part in investing in the development of education and science and technology.

— While curbing the demand, we will make great efforts to increase the effective supply. We will actively increase the production of marketable daily necessities for the people, and products which are in short supply, including energy source products, raw and processed materials, and export goods, in order to increase the effective supply to the public and ensure that the work of improving the economic environment and rectifying the economic order proceeds smoothly. In addition, all localities will strive to do a good job in the production and supply of non-staple food, particularly the supply to urban areas.

— We will continue to deepen the enterprise reform and other reforms. The main tasks are to further improve the contracted managerial responsibility system in enterprises, gradually promote enterprise associations and mergers, and optimize the organizational structure of enterprises; to achieve optimum organization of labor in enterprises and raise labor productivity; and to urge enterprises to conduct technological innovation, lower

costs and consumption, and improve the quality of products and economic efficiency. At the same time, we will commercialize housing and conduct experiments in selected localities on selling the property rights of some small enterprises and on the joint stock system for large and medium enterprises. This will be done in support of the work of improving the economic environment and rectifying the economic order.

— We will continue to develop foreign trade and implement the coastal development strategy. We will further develop an export-oriented economy and encourage export trade. We will improve the investment environment and encourage and attract foreign firms to make investment in China. The favorable conditions for opening to the outside world, if properly taken advantage of, will help alleviate our economic difficulties at home.

He added: We have made arrangements for this year's economic work in accordance with the aforesaid demands. The official draft plan will be submitted to the Second Session of the Seventh NPC for deliberation and approval.

Further on Economic Issues

OW1301222789 Beijing XINHUA Domestic
Service in Chinese 1622 GMT 13 Jan 89

[From the "Local Broadcast News Service"; by reporter He Ping]

[Text] Beijing, 13 Jan (XINHUA)—"Why are price rises actually experienced by the masses often higher than the price indices released by the government?" Yuan Mu, spokesman for the State Council, gave a candid answer to this question at a news conference for Chinese and foreign reporters held at the Chinese Journalists' Association today.

In the fully packed West Hall of the Chinese Journalists' Association this afternoon, Yuan Mu said: Price indexes released by the State Statistics Bureau are obtained through computation of the weighted average from prices of over 300 typical commodities with more than 1,000 specifications in 150 cities, 203 county capitals, and 14,000 stores and village fairs across the country. This is a fairly scientific statistical method, commonly used by many countries in the world. It can reflect or basically reflect the actual situation.

In reply to a question about this year's inflation rate and volume of currency issuance, Yuan Mu said: The inflation rate will be considerably lower than last year, say by about 3 to 5 percentage points. This can be achieved if the job is well done. However, it cannot be reduced by more than that, and a hasty deflation will not be good for economic development. The volume of currency issuance will be decreased by a relatively big margin compared to the currency actually issued last year.

A reporter asked: While there was conspicuous inflation in the Chinese economy last year, notes signed in acknowledgement of debt were used in purchasing farm and subsidiary products in rural areas. Are these two phenomena contradictory to each other?

Yuan Mu said: At one time, notes signed in acknowledgement of debt were indeed used in some purchases of farm and subsidiary products. This is because some local governments diverted the funds, prepared by the bank for purchasing farm and subsidiary products, to carry out unjustified capital construction and created an excessive demand, thereby leading to inflation while draining the funds for purchasing farm and subsidiary products. Therefore, these two phenomena are cause and effect rather than contradictions. This problem has so far been basically resolved. The peasants can cash debt notes in hand at the bank. Of course, it is possible that there are still a few places where the problem has not yet been solved.

"Will economic retrenchment lead to political tightening?" In reply, Yuan Mu explicitly stated: We have called for improving the economic environment and rectifying the economic order because of conspicuous inflation and certain economic chaos. This is not necessarily linked to, and it has little to do with, the ideological and political realm. There is no such problem as economic retrenchment leading to political tightening.

A foreign reporter asked: How many workers have lost their jobs because of the reduction of capital construction projects and optimizing of organization of labor, and how can their problems be solved?

Yuan Mu said: A fairly large portion of construction engineering teams laid off as a result of reduction in capital construction projects are from rural areas. Construction workers from cities will be given new jobs, and some who cannot find immediate employment will undergo technical training. Surplus personnel released in the course of optimizing organization of labor in enterprises will be assigned to new jobs, such as diversified management or tertiary industry, set up by enterprises if possible. Therefore, China's overall unemployment rate will not increase.

In reply to the question about reform of enterprise property rights, Yuan Mu said: First of all, China will uphold the socialist system of public ownership as the mainstay and will never privatize state enterprises. Second, China will separate ownership and management of all state enterprises, and gradually perfect and develop the enterprise management contract responsibility system. Moreover, the shareholding system will be experimented with at selected enterprises to further clarify the relationship of property rights.

On Political-Ideological Issues

OW1401052689 Beijing Domestic Service
in Mandarin 2230 GMT 13 Jan 89

[Report by reporter (Li Dehua) and trainee reporter (Liu Zhengji) from the "News and Press Review" program]

[Text] Yuan Mu, spokesman of the State Council, told Chinese and foreign reporters in Beijing yesterday that while reducing investment in fixed assets, China will continue to increase investment in agriculture to win a bumper harvest.

Yuan Mu said: The central government will increase agricultural investment by 400 million yuan, an increase of 14 percent over last year. In addition, the local governments and other sectors of society will also increase their investment. Total agricultural investment is expected to increase by several billion yuan this year.

The state will also increase its investment in science and technology and education this year. According to Yuan Mu, the central government will increase the investment in education by 200 million yuan. The total increase will be fairly substantial, if the investment at the local level is also included.

Yuan Mu said: In improving and rectifying the economy, one of our goals is to increase effective supply while reducing the demand in society, including the supply of grain, cotton, edible oil, manufactured goods for daily use by the people, raw and semifinished materials in short supply, and commodities in great market demand.

After reviewing last year's economic situation, Yuan Mu pointed out: Since the 3d Plenary Session of the 13th CPC Central Committee, initial results have been achieved in improving the economic environment and rectifying the economic order. However, we should not overestimate our achievements, because they still fall far short of our goal of improving and rectifying the economy. The foremost task this year is to reduce the excessive high growth rate in our economic life and to curb inflation by a variety of means, including economic means and some administrative measures.

Yuan Mu revealed: We plan to increase the gross national product by 7.5 percent this year, 3.7 percent less than what was actually achieved last year. The industrial growth rate will be 8 percent, 9.7 percentage points lower than what was actually achieved last year, and the agricultural growth rate will be 4 percent, 1 percentage point higher than last year.

Yuan Mu reiterated that China will continue to implement the strategy for economic development in the coastal regions this year. He said that foreign businessmen are welcome to set up solely funded enterprises in China. He also indicated that efforts will be made to appropriately develop domestic enterprises which put both ends of the production process on the world market

and use fewer domestic raw materials that are in short supply. He believed that as China opens itself wider to the world, the situation will become more conducive to alleviating China's domestic economic difficulties.

In his answer to a question raised by a foreign reporter, Yuan Mu said: The policy of improvement and rectification put forward by our country in the economic field has nothing to do with the ideological-political sphere. There is no such thing as our tightening up economically and at the same time tightening up politically. In the political-ideological field, our country's goal has always been to create an environment of stability, unity, democracy, and harmony.

Yuan Mu pointed out: Improving and rectifying the economy precisely requires such an environment, not something quite the opposite.

Paper on Yuan Remarks

HK1601071489 Beijing RENMIN RIBAO in Chinese
14 Jan 89 p 1

[Report by He Ping (0149 1627): "Yuan Mu, Spokesman of the State Council, Gives Candid Answers to Economic Questions at News Conference for Chinese and Foreign Reporters"]

[Text] Beijing, 13 Jan (XINHUA)—"Why are price rises actually experienced by the masses often higher than the price indices released by the government?" Yuan Mu, spokesman of the State Council, gave a candid answer to this question at a news conference for Chinese and foreign reporters held at the Chinese Journalists' Association today.

In the fully packed West Hall of the Chinese Journalists' Association this afternoon, Yuan Mu said: Price indices released by the State Statistics Bureau are obtained through computation of the weighted average from prices of over 300 typical commodities with more than 1,000 specifications in 150 cities, 203 county capitals, and 14,000 stores and village fairs across the country. This is a fairly scientific statistical method, used commonly by many countries in the world. It can reflect or basically reflect the actual situation. However, the masses of people often feel the State Statistics Bureau's figures do not realistically reflect their personal experience. This is because it is impossible for consumers to frequently—every day and every hour—buy the several hundred kinds of commodities covered by surveys for state statistics. In other words, they consume only certain kinds of the commodities such as non-staple foods and industrial goods for everyday use. Price rises of these commodities are usually higher than the weighted average of the several hundred kinds of commodities. Therefore, what the masses feel is fair and reasonable and is understandable. In order to solve this problem, the State Council is considering selecting dozens of commodities

used every day by the people for compiling statistics and release in newspapers the consumer index of workers and staff members after calculation.

In reply to a question about this year's inflation rate and volume of currency issuance, Yuan Mu said: The inflation rate will be considerably lower than last year, say by about 3 to 5 percentage points. This can be achieved if the job is done well. However, it cannot be reduced by more than that, and a hasty deflation will not be good for economic development. The volume of currency issuance will be decreased by a relatively big margin compared to the currency actually issued last year.

"Will economic retrenchment lead to political tightening?" In reply, Yuan Mu explicitly stated: We have called for improving the economic environment and rectifying the economic order because of conspicuous inflation in the economic field and certain economic chaos. This is not necessarily linked to, and it has little to do with the ideological and political realm. There is no such problem as economic retrenchment leading to political tightening. In the ideological and political realm, our target is to create a stable, united, democratic, and harmonious atmosphere. Improving the economic environment and rectifying the economic order need such an atmosphere even more, and not vice versa.

A foreign reporter asked: How many workers will lose their jobs because of reducing the number of capital construction projects and optimizing the organization of labor? How can this problem be solved?

Yuan Mu said: A fairly large proportion of the construction engineering teams that will be laid off as a result of reduction in capital construction projects are from rural areas. We will try our best to persuade them to go back to the countryside to engage in agricultural business and help promote agricultural production and other rural economic affairs. There are many things to do in this respect. Construction workers from cities will be given new jobs, and some who cannot find immediate employment will undergo technical training. Surplus personnel released in the course of optimizing organization of labor in enterprises will be assigned to new jobs, such as diversified management or the tertiary industry, set up by enterprises as far as possible. Therefore, China's overall unemployment rate will not increase. The current unemployment rate of China is 2 percent, one of the lowest in the world. Moreover, even if the workers have lost their jobs, they will be provided with social security to ensure their basic livelihood.

Some reporters expressed apprehension that the reduction in investment scale may affect some Sino-foreign cooperative ventures. But Yuan Mu held that such apprehension is uncalled for, because the Chinese party and government leaders have reiterated many times that the drive to improve the economic environment and rectify the economic order will not affect China's opening up to the outside world. Moreover, it is aimed at

promoting this process. He gave the following figures to prove this: Last year, a total of 8.8 billion yuan [as published] of foreign funds was used, which was an increase of 16.2 percent over the previous year. At the same time, he pointed out that to suit the industrial policies of our country, it is also necessary to make certain readjustments on the projects under or soon to be under negotiation.

In reply to a question about reform of enterprise property rights in the future, Yuan Mu said: First of all, China will uphold the socialist system of public ownership as the mainstay and will not privatize state enterprises. Second, China will separate ownership and management of enterprises and gradually perfect and develop the contracted management responsibility system in enterprises. Moreover, experiment on the shareholding system will be carried out in selected state enterprises to further clarify the relationship of property rights. He pointed out that the question of ownership under the socialist system is a very important question. We have found some effective channels and methods in the past 10 years of reform, and we will continue our explorations and work hard to find the best form to realize public ownership.

People's Bank Governor on 1989 Financial Work
OW1701010489 Beijing XINHUA Domestic
Service in Chinese 1321 GMT 12 Jan 89

[From the "Local Broadcast News Service"; By reporter Ding Jianming]

[Text] Beijing, 12 Jan (XINHUA)—Li Guixian, state councillor and governor of the People's Bank of China, pointed out today that the general guidelines for this year's financial work are limiting the growth of the money supply, stabilizing the money market, rectifying the financial order, and deepening financial reform. The total amount of money supply and credit loans must be tightly controlled, and credit loans should only be extended to key projects. Such loans should be reviewed and regulated as necessary in order to keep this year's money supply well lower than last year's.

Li Guixian said at a meeting of the managers of the branches of the People's Bank of China on 12 January: Preventing possible economic stagflation is the biggest problem facing all banks this year. Toward this end, we must tightly control the total amount of money supply and credit loans; tighten planned management; and include credit activities of all financial institutions, treasury bonds, stocks, and fund-raising activities in the general planning of social credit so that they can be managed as a whole.

Li Guixian stressed: We should strengthen the Central Bank's role in macroeconomic regulation. The People's Bank of China should strengthen its role in regulating and controlling the whole financial situation by adopting the system of discriminatory interest rates, encouraging

value-ensured savings, and raising the percentage of reserve funds. All banks catering to special trades this year must maintain sufficient funds for paying bank depositors. Funds for the purchase of agricultural and sideline products should be managed separately. These funds should be arranged and ensured by banks catering to this trade.

It was learned that, in order to further stabilize the financial situation, the People's Bank this year plans, with approval of the State Council, to once again raise the interest rates for deposits and loans.

QIUSHI on Ownership Study, Reform
*OW0101025189 Beijing QIUSHI in Chinese No 11,
1 Dec 88 pp 22-25*

[Article by Xiao Liang (2556 0081): "A Decade of Ownership Study and Reform in Retrospect"]

[Text] The progress people within the nation's economic circles have made in the past 10 years in the study of issues concerning ownership can be attributed to economic reform and economic development. On the one hand, the need for economic reform and development has given an impetus to the study of ownership. Consequently, the progress achieved in the theoretical study in this area has often become the guide for reform. On the other hand, the actual performance in economic reform and economic development has provided the study of ownership with large quantities of vivid information with which researchers can make their theoretical inductions. While discussing the study of ownership issues, we must pay attention to the mutually enhancing and accommodating relationship between the study of economic theories and actual economic performance.

I. The Scope of Ownership and a New Understanding of the Criteria for Judgment

We can say that the study of basic issues concerning ownership within the nation's economic circles began shortly after the downfall of the "Gang of Four." The viewpoint advocated by the "Gang of Four" that "leadership determines the nature of ownership" was denounced in 1977 and 1978. However, the study of certain issues concerning ownership did not peak until the convening of the 3d Plenary Session of the 11th CPC Central Committee—which laid down the line of emancipating the mind and seeking truth from facts—and following the discussion of the issue that "practice is the criterion for examining truth." There are three points worth mentioning: 1) the definition of ownership; 2) the objective criteria for determining whether ownership relations are superior; and 3) whether or not ownership issues are settled once socialist transformation has been accomplished.

The discussion of the definition of ownership was primarily triggered by Stalin's three-part theory. Everyone knows that Marx says that ownership is "the general

total of production relations." ("Complete Works of Marx and Engels," Volume IV, p 352) Engels also says that the study of economic relations in political economics includes the conditions and forms of social production, exchange, and distribution. However, in his book "The Economic Problems of Soviet Socialism," Stalin treats ownership as an independent subject and defines production relations as something consisting of these three parts: 1) forms of ownership of the means of production; 2) the status of different forms of social groups—generated from those forms of ownership—in production and their mutual relations; and 3) the various forms of product distribution totally dependent on them. Such a definition has apparently oversimplified the rich connotations of production relations, and thus the rich connotations of ownership. For example, it has excluded exchange and placed ownership side by side with production and distribution. Because of Stalin's position and other reasons, Chinese economists readily accepted his viewpoint, which later became a traditional one, and which has had a harmful impact on economic work. In 1979, [economist] Sun Yefang took the initiative to disagree with Stalin's definition, causing a heated discussion. Later, while people still differed on the definition of ownership, they unanimously agreed that ownership has a wealth of connotations and that it is improper to regard ownership simply as something concerning the ownership of the means of production. This has opened the way for establishing the theory that ownership can be separated from operating rights, as well as for discussing property ownership and reforming enterprises' operating mechanisms.

The question of the criterion for judging whether or not a certain type of ownership is superior was raised primarily to counter the criterion formed in the late 1950's known as "large in size and public in nature." Under this criterion, the bigger the size and scope of socialist ownership and the higher its degree, the better it is. It was under the ideological guidance of this criterion that the movement to organize cooperatives and switch over to the people's communes was started at that time and later escalated. It was under this mentality that efforts were made in quick succession to negate the individual economy, eliminate the capitalist economy, combine the small collectives into large ones, and effect the transition from collective ownership to ownership by the whole people. This criterion contradicts the Marxist principle which says that the relations of production must be suited to the nature and level of the productive forces. To determine whether a certain type of ownership is superior and advanced, the only objective criterion we can use is whether or not it promotes the development of the productive forces at that time and in that place and to what extent it promotes such development. There should be no other criteria. This is why the Chinese economists specifically proposed removal of the traditional concept of "large size and a high degree of public ownership" when they began to study the question of ownership around 1980. Under the influence of this kind of thinking, they raised the question of whether it is

correct to sum up the course of development of ownership simply as one from individual to collective and from collective to the whole people, and whether it is correct to treat the individual economy as a spontaneous force and capitalist appendage. These questions have led to the rethinking of many of our traditional concepts.

Has the question of ownership been resolved with the completion of the socialist transformation of ownership? This question is raised here to make a special point. Originally there was the argument that the completion of the socialist transformation of ownership means the complete resolution of the question of ownership, and that in the future it is only necessary to try to resolve the question of relations between man and man and the question of distribution. This is why, since the late 1950's, few economists in China have engaged in research on the question of ownership. However, practice has shown that a lot of things cannot be dealt with when separated from the question of ownership. Take the 3 years of economic difficulty in our country for example. Did the question of ownership have anything to do with the cause of the difficulties experienced in this period? In the "Great Cultural Revolution," people halted production due to wage revolution and engaged in factionalism for a long period. Did the kind of ownership characterized by "everyone eating from the same big pot" have anything to do with it? After thinking about practice and experience, people were finally able to realize that the completion of the socialist transformation, instead of completely resolving the questions on ownership, raised a lot of questions for them to study. As a result, the following questions have been raised one after another: Is the structure of our people's commune which integrates government administration with commune management good or bad? Is it feasible for the state to operate enterprises directly? Are property rights clearly defined when ownership belongs to the whole people? And so on and so forth. Thus began the study once again of the question of ownership in socialist conditions.

II. The Breakthrough in the Structure of Ownership at the Present Stage

The traditional view holds that socialism means the elimination of private ownership and the establishment of public ownership, and that socialism cannot coexist with private ownership. According to this view, public ownership under a socialist system has only two basic forms—ownership by the whole people and collective ownership—and collective ownership must switch over to ownership by the whole people. We can find this view in the discussion of socialism in every textbook on political economics.

It was according to this model that we tried to establish the relationship of socialist ownership in the past. In so doing, we not only made the two forms of public ownership too exclusive and too rigid; we also inconvenienced the people's livelihood in many respects. Therefore, when our economists began to seriously study the

question of ownership of a practical nature in the wake of the 3d Plenary Session of the 11th CPC Central Committee, the first question they brought up was about the structure of ownership during the contemporary stage. The questions discussed include: Is ours the only model of socialist ownership? Should or should not the individual economy be allowed to exist and develop in a socialist society? At that time, our party had not put forth in specific terms the theory of the primary stage of socialism. However, some scholars had already suggested that as far as the structure of ownership during the contemporary stage is concerned, we should adopt a policy similar to the one adopted in the period of new democracy, which allows different sectors of the economy to coexist and compete with each other and to develop alongside each other. Under the circumstances where the productive forces in our country are lagging behind and developing rather unevenly, they suggested that in addition to the economic sectors with ownership by the collectives and by the whole people, there should be an individual economic sector and Chinese - foreign joint ventures to play a supplementary role in our socialist ownership system. Both ownership by the whole people in the form of state ownership and ownership by the collectives should be reformed. They called for a conceptual distinction between socialist ownership and ownership in a socialist society. Socialist ownership refers to all types of public ownership, while ownership in a socialist society incorporates different types of private ownership as well as public ownership.

Later, along with the development of reform in practice, the party and the state successively laid down the policy of protecting and encouraging the development of urban and rural individual industrial and commercial businesses and allowing them to employ a specific number of workers, and the policy of bringing in foreign capital and promoting economic integration. In this way, not only has the individual economy recovered and developed in the vast urban and rural areas of our country, but private enterprises employing a considerable number of workers have also appeared. Not only have the Chinese-foreign joint ventures, cooperative enterprises, and exclusively foreign-owned enterprises developed, but the locally initiated and cultivated capitalist economy has also expanded. Not only have the different types of public ownership, including ownership by the whole people, ownership by the collectives and cooperatives, ownership by conglomerates, and ownership in the form of shareholding, but mixed forms of ownership combining different types of ownership have also appeared. Particularly in recent years, thanks to the theory of socialist commodity economy and the theory of the primary stage of socialism put forward by our party, our understanding of the structure of ownership in the primary stage of socialism has become clearer and more specific. The whole party and the people throughout the country have now accepted the idea that different sectors of the economy and different types of management will exist alongside each other, with public ownership playing a dominant role.

When we say that public ownership plays a dominant role, we do not mean to say that the publicly owned economic sector must dominate the entire economy in terms of number; still less do we mean to say that public ownership must dominate in every locality and every department. Rather, it means that by improving its quality, the publicly owned economic sector can play a leading, guiding, and safeguarding role in the national economy. However, in the primary stage of socialism, the specific form of public ownership can never be one envisioned by the founders of Marxism, one which is directly controlled and distributed by society; it can only be one controlled and distributed by the enterprise as a unit. Public ownership in the primary stage of socialism can also have many and varied forms. The coexistence of different economic sectors and different types of management should also be viewed as something that will last for a long historical period. Although the private sector of the economy can only play a beneficial supplementary role as it does today, it is an indispensable part we cannot do without. In the past we generally regarded the individual and capitalist economic sectors as something that hindered the development of the productive forces and that was incompatible with socialist public ownership. However, in fact, the individual and capital economic sectors are all capable of adapting to the needs of the development of the commodity economy. They are most closely linked to the market and are the most vigorous sectors. Under socialist conditions, they can also establish different kinds of links with the public economic sector and subject themselves to the constraints and influences of the public economic sector. Thus, the unity between the dominance of public ownership and the coexistence of different economic sectors naturally becomes the basic economic feature of socialism in its primary stage. With regard to the proportion of each type of ownership in the entire national economy and the relationship between different economic sectors, these matters should be allowed to define themselves and improve step by step in the course of competition and comparison.

III. A Probing Study Into the Reform of the System of State Ownership

It was after the victory of the people's revolutionary wars, mainly through taking over the enterprises of bureaucrat capitalism and carrying out the socialist transformation of capitalist industry and commerce and by making state investment in construction, that our economic system of ownership by the whole people was gradually established and has become strong. From the outset it took on the form of state ownership in which the state acts on behalf of the whole people to directly exercise the ownership and operational rights for them. Therefore, in China, ownership by the whole people and state ownership connote the same concept. At present, despite reform and readjustment, the economic sector under this kind of ownership still occupies a decisive position in the national economy. In terms of total

industrial output value, about two-thirds of it is contributed by industry under ownership by the whole people. In communications and transportation industries, ownership by the whole people accounts for more than 90 percent of the cargo turnover volume. In terms of total volume of retail sales, the portion shared by enterprises under ownership by the whole people is in excess of one-third. Economic development in our country since the founding of New China cannot be separated from the development of the economy under ownership by the whole people.

Such being the case, are there any drawbacks in China's form of ownership by the whole people? In the past, we regarded this kind of ownership as the advanced form of socialist public ownership. We held that the means of production in the category of ownership by the whole people may be transferred for their use across the whole country in a reasonable way, as long as this was called for by the interests of the entire body of the laboring people. The products produced with these means belong to the whole people, and they may be used to satisfy the needs of the whole people and be placed under unified control covering the entire society, thus making this planned economy at its highest degree. We therefore thought that the system of ownership by the whole people was compatible with the highly socialized productive forces. However, after years of practice, especially after a serious study of this form of ownership, we have finally come to realize that it has a number of shortcomings. 1) Because ownership by the whole people takes the form of state ownership, it is very rare for the state organs of political power not to interfere with the enterprises' operational activities and internal affairs, thus making it hard to completely solve the problem of no separation between government administration and enterprise management. 2) As this kind of economy adopts centralized management by the state and practices unified distribution of revenues and expenditures and mandatory plans directly enforced by the state, the enterprises have become like a counter on an abacus in the hands of the state. They will move only when moved by the higher authorities, and there is not much initiative in them about which to speak. Furthermore, since all activities of the enterprises are directly arranged by the state, it is also impossible for the state to plan correctly and make well thought out arrangements for everything without committing the mistakes of being bureaucratic or subjective. On the other hand, when the state delegates all kinds of powers to the enterprises while relying mainly on economic means to regulate their activities, the enterprises, because of their lack of a self-restraint mechanism, will likely become inclined to aim only for short-term goals, thereby becoming unable to respond to the state's regulatory measures in a sensitive and proper manner. 3) As far as property ownership is concerned, the borderline is not clear. While it is called ownership by the whole people, in reality, no one feels that he has anything to do with an economy under this kind of ownership. This being the case, it is not hard to understand why people take an indifferent attitude toward the properties under

ownership by the whole people. These shortcomings in ownership by the whole people make it clear that there are certain contradictions between it and the development of socialist commodity economy. Therefore, it must be reformed.

In the past 10 years we have been fumbling along as we carry out the reform of the system of ownership by the whole people. The very first steps we took were to expand the decisionmaking powers of the enterprises and let them retain some of their own profits. Later, we substituted the appropriation of funds with extension of credit to them; we scaled down the scope of mandatory planning and increased that of planning by guidance; we instituted the system of paying taxes instead of delivering profits to the state; we enforced the economic responsibility system, and so on. All this is for the purpose of turning the enterprises into commodity producers and operators who can operate independently, assume sole responsibility for profits and losses, and be able to attain added value by themselves. These reform measures have indeed played a positive role in enhancing the viability of the enterprises, but we still have a very long distance to go before reaching the goal of the reform. The reason is that all these reform measures are carried out within the framework of the original ownership system.

It was clearly pointed out in the 1984 "Decision of the CPC Central Committee on Reform of the Economic Structure" that socialist economy is a planned commodity economy and that ownership and operational rights can be appropriately separated. Since separating government administration from enterprise management, our realization of the need to reform the system of ownership by the whole people has developed to a new stage. On the one hand, the efforts made by the theoretical circles to study the reform of this system of ownership by the whole people have become more practical and specific as they have come up with a number of proposals and plans on how to deal with the issue and started various kinds of experiments. At the same time, the state has also adopted some practical measures. These include measures to popularize the practice of a contracted operations system in the large and medium enterprises, to push for the leasing system in regard to the small enterprises and, in the case of some of the small enterprises, mostly commercial enterprises which are not only poorly managed but for which state ownership also need not apply, to shift them to ownership by the collective or ownership by the individual by selling or transferring them. In addition, the state has also experimented with the joint-stock system in selected enterprises of various kinds. At present, the contract system and the leasing system have already become the major operational approaches to invigorate the enterprises, large and medium enterprises in particular.

The fact that we have come to realize the possibility of separation between ownership rights and operational rights of the enterprises under ownership by the whole people should be taken as a theoretical breakthrough. In

spite of the fact that the development of capitalist economy has long provided the evidence of all sorts of practices of the separation of these two rights, it seemed to us that the separation of these two rights should not be applicable for our enterprises under ownership by the whole people because they had long been practicing ownership by the state and operation by the state. Now we realize that these two rights can be separated. This means a new basic point has been firmly established for the reform of the system of ownership by the whole people. Nevertheless, the economics circles are still holding different views with regard to whether it is possible to completely separate these two rights within the framework of the system of ownership by the whole people, whether it is necessary to realize this complete separation, and whether it is advisable to let the enterprises have the economic right of ownership [jing ji di suo you quan 4842 3444 4104 2076 2589 2938].

Operation by contracts and operation by leasing are precisely the practice of reforms carried out under the guidance of the theory of separation of the two rights. Both are good operational forms by which operators of the enterprises can have broader operational rights while the enterprises themselves remain under state ownership. They are conducive to strengthening the responsibility of the operators and making the enterprises market oriented. Therefore, their effects are obvious and must be affirmed. However, many comrades in the economics circles hold that the positive effects of such operational forms are limited and there clearly are shortcomings in them. For instance, when the signing of a contract is being negotiated between one party and another for operations by contract or by leasing, it is not only difficult to standardize the procedures and avoid the trouble of bargaining, but will objectively lead to increased government interference in the operations of the enterprises as well. Moreover, such forms of operations do not provide the possibility to solve once and for all the problem of enterprises being willing only to be responsible for their profits but not for losses, the problem of the enterprises gearing their production activities to short-term goals, and the problem of an indistinct borderline for property rights. Some comrades advocate the transition of the contract system to the joint-stock system. Some hold that the problems of the contract system should be solved through instituting supplementary measures, perfecting the system, and developing it. They think that the contract system and joint-stock system can be combined with each other but one cannot replace the other.

To meet the needs of development of the socialist commodity economy and make enterprises independent commodity producers and managers, it is imperative to consider the reconstruction of the relationship and structure of ownership of state enterprises and to establish a system whereby the enterprises will act as legal entities. A fairly good approach to this is to create conditions for test implementation of the shareholding system in large and medium state enterprises, so that they will become

completely independent commodity producers and managers and have the right to dispose of their own property. Many economic scholars hold that the appearance and development of the shareholding system represents the progress of history and is a phenomenon created by the commodity economy. This system can be adopted by socialism as well as by capitalism. As Marx pointed out, the shareholding system can turn the scattered private capital into social capital and can quickly gather a large amount of funds to do something that individual capital cannot accomplish. This system is also applicable to the socialist economy. Moreover, by implementing the shareholding system in state enterprises, their ownership will become clarified, and mechanisms for self-management and self-control can be established. This system will also make it possible to extricate the enterprises from dependence on the state, thoroughly separate government and enterprise functions, prevent the state from interfering in enterprise administration, effectively utilize resources, and achieve an optimum and dynamic organization of production elements. As can be seen, the implementation of the shareholding system is not to deny the public ownership system; rather, it is a way to reform the public ownership system. With regard to the shareholding system, however, there are still variant understandings about its theory, and many problems still exist in practicing it. All these require our further efforts to study and explore solutions.

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GUANGMING RIBAO on State Organ Reform
OW1701013289 Beijing GUANGMING RIBAO
in Chinese 9 Jan 89 p 3

[Article by Yang Chengxun (2799 2110 6064) and Yan Heng (7051 1854): "Reform of State Organs Must Go Ahead of the Others"]

[Text] The difficulties and setbacks we have experienced during 10 years of reform have made people increasingly aware that as the center of the whole society, party and state organs at all levels must undergo reform ahead of the others. Reviewing the Marxist theory of the state in connection with the reality of reform will enlighten and help us get a deeper understanding and clear our thinking on reform.

Understand the Role of Organs of Power From the Great System of Economic Operations

In carrying out research on economic theory and reform of political and economic structures, we often separate economics from politics and ignore that the government has principal and secondary functions. This contradicts the Marxist theory of state. Engels repeatedly elaborated on one important point: "State power is also a kind of economic power." (Selected Works of Marx and Engels, "

Vol 4, p 486) "All political power is first based on certain economic or social functions" and becomes a new department within the division of labor in society. It can be said that states of all forms shoulder varying degrees of economic functions. Although the rise, changes, and destiny of a state depend, in the final analysis, upon economic movements, the state in turn reacts on the economy. Engels summarized it into the following three functions: 1) Performing a promotional function by going along in the same direction; 2) performing an obstructive function by going in the opposite direction; 3) performing both functions. This is particularly true nowadays as governments are also exercising macrocontrol functions over the operations of the economy.

Moreover, we must take note that organs of state differ from other sectors of the superstructure in that they possess abundant economic strength and participate in and influence economic operations. 1) All states have the rights to collect taxes and possess tremendous financial resources. Their financial strength is generally far greater than any large business entity. 2) The majority of states possess considerable amounts of assets and are the biggest, or relatively bigger, owners of the means of production. Among the modern nations, state assets often control the decisive departments of the society and economy (the tides of privatization in recent years have failed to eliminate state economy). 3) The state controls, either directly or indirectly, and supports a variety of economic organizations and participates in and influences economic life. 4) States employ various measures to gather a part of society's funds; some take part in banking activities (by, for example, issuing treasury bonds and buying and selling stocks) and others solicit contributions in one way or another. 5) The state establishes a monopoly in certain commodities, scarce resources in particular, and imposes a state monopoly. 6) Under special circumstances (for example, during wartime or in times of extreme economic difficulty), the state introduces a ration system and exercises direct control over major means of production. 7) The state can increase its financial strength through fines, confiscation, and other compulsory measures. In this sense, a state organ is also an economic entity.

Precisely because of their regulatory functions and economic strength, all states assume certain functions of distribution. These are mainly as follows: 1) participating in and influencing the distribution and society's total products through taxation, revenues, and expenditures; 2) distributing consumer goods among state functionaries and other personnel; 3) formulating distribution policies on a large or small scale; 4) participating in the distribution of production funds through state investment (including, for example, water projects in ancient times).

What is stated above may well be mere common sense. However, in formulating theories as well as in practice, people often repeatedly make mistakes that they could avoid with common sense. For example, they neglect the

tremendous principal and side counteractions constantly performed by organs of state power as an "economic force." Therefore, we must, in connection with the experience of the 10-year reform, sum up and establish an awareness of overall reform, truly place organs of the state (including the ruling party) in the entire system of economic operations, and study them as a special component of the economic organization. Only after finding out what the problem is can we find a temporary solution as well as effect a permanent cure.

Negative Effects of the Product Economy-Type Administrative Organs

In the previous 30 years, China's government organs were built and operated on two props, namely, the theory of class struggle and the theory of product economy. The state was a tool of class oppression, the center of the planned economy, and the embodiment of the system of ownership by the whole people.

Established on the concept of the economic theory of "direct production" and "direct distribution," the state administrative organs with highly centralized powers were the major authority directing all economic operations of society. The entire society was a "big factory," and the state was its "general management headquarters" exercising "direct control" over the entire social economy. These three "directs" made the state founded on the model of product economy the biggest owner, manager, investor, and controller as well the biggest distributor of social products at all levels. Since maximum supereconomic management was the only management method used, all economic activities were based on exercising maximum administrative power and the artificial realization of a nonmarket oriented and noneconomic economy to its extremes, which resulted in an overconcentration of power and even the concentration of all party, government, finance, and cultural powers in the state. Just as Comrade Deng Xiaoping said, China's current bureaucratism is "closely tied to a management system established on the assumption that the socialist and the planned management system must exercise highly centralized state power over all economic, political, cultural and social activities, which we have long regarded to be so." But since the implementation of a highly centralized all-round supereconomic management system dictated the need of an highly authoritative organ invested with all direct management powers, the division of labor in such an organ was bound to become more and more elaborate, its organization more and more expanded, its links more and more complex, and its personnel more and more numerous.

Viewing it from history, this supereconomy and its huge structure, by virtue of the power it had in concentrating financial, material, and manpower resources; in establishing a unified order; and in directing and coordinating all activities, did play a role in accumulating capital, in establishing an industrial base, in developing cultural and education undertakings, and in establishing a stable

situation. However, its side effects have become more and more evident today to even constitute a major obstacle blocking the establishment of a new order of the socialist commodity economy. If we observe social problems with the Marxist theory of state, it is immediately clear: Any huge bureaucratic organ is bound to hamper economic development and produce corruption. In describing France in the mid-1800s, Marx pointed out: "This administrative authority has huge bureaucratic and military organs, a bureaucratic contingent of 500,000 persons, and an Army of 500,000 men. This frightful parasitic organism which bound the entire French society and blocked all its pores like a tight cobweb, was a product of the autocratic monarchy. But at the same time, this parasitic organism also accelerated the collapse of the feudal system." ("Selected Works of Marx and Engels," Vol 1, p 691) We are not trying to make any simple analogy here as if to show that our state organ has completely turned out to be such a "parasitic organism." However, being thorough materialists, we must dare to face up to and make factual analysis of the effects produced by a huge organ which has already taken shape.

—Direct supraeconomic management has distorted all economic relations. For example, the application of administrative means has distorted the price system, aggravated the problem of barriers existing between higher and lower levels and between different departments, hampered the development of the market, and weakened the mechanism of regulation by the law of value.

—Administrative organs have become the centers of operations, while enterprises are their belongings. This has resulted in a man-made severance of the normal relationship between the big cycle of economic activities of the whole society and the small cycles of various enterprise operations and has even caused the problem of no distinction between government administration and enterprise management, which has remained unresolved for years. The vitality of enterprises has thus been strangled.

—The state, as a big nurse, has monopolized everything. This has given rise to the most extensive egalitarianism: Everyone is "eating from the big common pot" and relying on the state in everything. A peculiar tendency of laziness and a special intention to vie for comfort have been fostered and developed in society. The consciousness of self-reliance and independence has been shackled at all levels.

—Excessive control and the nationwide phenomenon of "eating from the big common pot" have resulted in an ever increasing financial burden. On the one hand, there has appeared the fact that "the function of the financial department is only to support people's living." (About one-half of the financial disbursement in various localities is used for wages and administrative and operational

expenses.) On the other hand, the phenomenon of investment for "profiteering" is created. The problems of overheated economy and expanded purchasing power of government institutions, which have appeared time and again, are attributable to this.

—Too many organs, too great authority, and the excessive number of personnel have resulted in too many intermediate links. The bureaucratic style has prevailed. Work efficiency is low. There is a serious problem of waste.

—Overconcentration of power has cultivated a fetish for power, which is different from commodity fetishism. Everyone is longing for an official post and worshipping power. This has formed an officialdom-based system, fostered the idea about official grades, and even caused the economic interest mechanism to be replaced by a power interest mechanism.

—The idea of the officialdom-based system and the pursuance of supraeconomic management power have led to the politicalization of economic activities, that is, using economic development as a means to build up political performance. The phenomena of false and exaggerated reports, pursuance of output value, and overheated investment all have certain connections with this.

—The mechanism for power and interests combined with the negative phenomena appearing in the initial period of the development of the commodity economy and power fetishism combined with money fetishism have led to "bureaucrat profiteering" for seeking small groups' interests and personal interests by taking advantage of the period of power switching. This is the chief reason for uncontrollable macromanagement and the chaotic state of commodity circulation.

—Because of the operation of the power interest mechanism at the time of power switching, the phenomenon of corruption is bound to spread unchecked. The power with regard to personnel, materials, investment, transportation, and approval when grasped by a few individuals has provided opportunities for bribery, embezzlement, and internal and external collusions. It may be said that oversize bureaucratic organs will inevitably become placentas engendering corruption. This has become the biggest obstacle interrupting our economic and political activities, social psychology, and the implementation of laws. The danger of this is even greater than inflation.

The Reform of Party and Government Organs Is the Prerequisite and an Essential Step for Overall Reform

At the inceptive stage of switching ("changing trains" in Lenin's words) from wartime communism (the typical product economy) to the new economic policy (the commodity economy), Lenin put particular stress on improving state organs. He said: "If we do not carry out a step-by-step and tenacious struggle to improve our

organs, we are sure to perish before we can lay a foundation for socialism" ("The Collected Works of Lenin," Vol 42, p 276). To see this from our present point of view, we should bring our state organs in line with the requirements of the operation of the socialist commodity economy. Now that we are facing a total switch from the old to the new system and an overall reform, we should, no doubt, reform our party and government organs in the first place.

First, practice in the past 10 years of reform shows that if party and government organs are not reformed truly in earnest, it is difficult to reform other systems. Even if we are determined to reform the economic system first, the old structure will distort and disable our policies, or even exploit the inadequacies and create trouble from within, resulting in the loss of control in the control mechanism itself. To deepen reform, we should be determined to remove this largest obstacle, and make coordinated efforts to improve the economic and the political environment.

Second, in terms of economic functions and "economic strength," government organs themselves constitute the main part of the macroscopic readjustment and control system, and the old ultra-economic means and organs cannot keep up with the workings of a socialist commodity economy. A new structure should be established which is capable of exercising macroscopic control over socialist commodity economy. If the new system of enterprises and the market system are considered the foundation and the linkage respectively of the new mode of operation, then the new macroscopic readjustment and control system is the "dragon's head." If the "dragon's head" is not developed in the first place, it is absolutely impossible to construct a new framework for the economy as a whole, which is likened to a headless dragon.

Third, to overcome the difficulties in price reform, we should also start with the organizational structure, because it is the management structure that provides assurances, enforces discipline, and maintains order. If the organizational structure malfunctions or loses control, it is hard to bring internal confusion under control even if we have better economic conditions. The FRG's experience shows that with a sound political environment and organizational structure, it is possible to reform the price structure and monetary system smoothly even if the economic conditions are not as good.

Fourth, now we see that the establishment of a new order of socialist commodity economy should not be placed at the end of the reform process, but should be considered the first priority in reform. In other words, we should first reinforce the legal system, and set the norms for economic activities right from the very start, to ensure smooth progress of overall and collateral reforms. To guarantee the success of this new order in terms of

organizational setup, we should still strive to optimize party and government organs, replace the rule by man with the rule by law, and bring about democratization of politics.

Fifth, reform of party and government organs is also a precondition for reforming the financial system, lessening financial burdens, changing financial functions, and reforming the system of distribution of social products.

Sixth, a two-pronged approach should be taken to optimize the system of public ownership. On the one hand, we should deepen enterprise reform and implement the shareholding system; on the other hand, we should also reform the "lifestyle" and operating structure of the largest owners, and separate the right of ownership from the right of operation and the right of macroscopic control.

In the final analysis, we should renew our thinking on reform. In other words, we should give priority to reform of the political system, reform of party and government organs and the cadres system in particular, and use it to promote overall economic reform. The sooner we come to understand this point, the greater our initiative will be. At this point, we should not be afraid of or flinch from tackling problems that touch on the arrangements for cadres and affect vested interests. We should implement the national public service system while vigorously streamlining government organs, reducing the staff, and accelerating reform of the political system.

National Auditing Administration Meeting Held
OW1601231289 Beijing XINHUA in English
1551 GMT 16 Jan 89

[Text] Beijing, January 16 (XINHUA)—China will make improvements in its auditing administration to bring the nation's finances under stricter control this year and next, Auditor General Lu Peijian said here today.

Speaking at a national meeting on auditing work, Lu said that the management and utilization of finance and credit funds are presenting some thorny problems at present.

According to the Constitution and regulations on auditing administration, the auditing supervision should work independently and will not be affected by any administrative departments, social organization or individuals.

But under the present financial system, Lu said, the auditing work is limited when there is a contradiction between the localities and the state, and it can hardly exercise its auditing supervisory power.

According to the auditor general, the auditing work this year will be concentrated on the following aspects:

—Strengthening auditing administration of local financial income and expenditure to restrain localities from exceeding their power to reduce and exempt tax revenues so as to obtain money that should be delivered to the state and work out false expenditure returns;

—Auditing and investigating financial income and expenditure, and credit funds of banking organizations;

—And auditing fixed asset investment projects, enterprises with great output value and generating huge profits, financial income and expenditure of administrative departments and institutions to ferret out problems of luxury and waste, special funds allocated to grain production and construction of urban vegetable gardens, as well as projects built with World Bank loans.

Auditing Scope To Expand
HK1701014289 Beijing CHINA DAILY in English
17 Jan 89 p 2

[By staff reporter Yuan Zhou]

[Text] The State Auditing Administration this year will expand its investigations of joint ventures and projects using foreign loans.

The administration will continue to monitor the use of World Bank loans and foreign loans in China, and strengthen its efforts to verify accounts of foreign-funded enterprises, Auditor General Lu Peijian said yesterday in Beijing.

Since 1983, the administration has audited \$7 billion in world Bank loans and international relief funds worth more than \$500 million, according to administration officials.

"Anyone involved in abuse of foreign funds will be dealt with according to law," Lu said.

Until now, only joint ventures in the coastal provinces of Guangdong, Fujian and Jiangsu have been audited.

This year, the administration will start auditing the capital, profits, tax and other business aspects of joint ventures in other provinces and municipalities.

"This move is being taken to use foreign funds to better effect and to defend the interests of Chinese and foreign partners," said Fei Weizhong, director of the administration's foreign department.

In auditing domestic enterprises, Auditor General Lu said that his administration will be stressing the management and use of loans from Chinese banks.

"Even though the State is having financial difficulties, tax evasion in the form of illegal retention of income and phoney expenditure deductions and deficits is rampant," he said.

This year, 30 percent of the most profitable or heavily-subsidized Chinese businesses and institutions will be audited.

Loans from Chinese banks, investment in fixed assets, State funds, financing of key enterprises and government offices will also be audited this year, Lu said.

The administration was set up in 1982 to help maintain healthy State finances and clean government. It has also been involved in implementing the State's austerity policies.

So far, it has audited 400,000 Chinese enterprises and institutions. By the end of November 1988, it had uncovered financial irregularities worth 46.8 billion yuan, of which 11.9 billion yuan was owed to the State.

It found 3,651 cases involving at least 1 million yuan in fraud and embezzlement. The 2,070 people involved have received disciplinary punishment and another 2,111 were sent to court.

In the first 11 months of last year, the administration uncovered financial irregularities worth 12.1 billion yuan, compared with 9.8 billion yuan in the same period of 1987. It also found 932 cases involving more than 1 million yuan.

The administration now has 50,000 auditors, 17,000 of whom have received special training at 3,000 local government departments.

Meeting Addresses Price Monitoring, Inspection
OW1701010989 Beijing Domestic Service
in Mandarin 2230 GMT 11 Jan 89

[From the "National Hookup" program]

[Text] At a national meeting on price monitoring and inspection held on 11 January, a responsible person of the State Administration of Commodity Prices said that price inspection this year should focus on ensuring that the scope of price hikes this year is considerably smaller than last year, and that the major prices to be inspected are the prices for grain, edible oil, meat, vegetables, cotton yarn, cotton cloth, color television sets, and other articles that closely affect people's daily life. He said: Monitoring and inspection of market prices will gradually be made a regular practice in the next 2 years. Price monitoring and inspection will be conducted regularly at retail stores and private businesses, and reported price violations will be promptly handled by people especially

assigned for the job. Stabilizing the prices of the means of agricultural production is an important part of this year's price control efforts. In compliance with a plan of the State Council, a nationwide inspection of the prices of the means of agricultural production will once again be conducted during this year's spring farming season. This is needed to check an indiscriminate increase in the prices of the means of agricultural production, and to ensure that farming materials linked to contracted grain purchases are supplied to peasants at stipulated prices.

Commerce Minister Says Grain Supply 'No Problem'
OW1601080789 Beijing XINHUA in English
0729 GMT 16 Jan 89

[Text] Beijing, January 16 (XINHUA)—Hu Ping, minister of commerce, has said that China has sufficient grain on hand and there will be no problem about grain supply, according to the latest issue of the BEIJING REVIEW.

The English weekly reported, recent speculation abroad says that 100 million Chinese would suffer starvation and many millions would die of hunger due to a lack of grain this year.

Hu Ping said that he didn't think China will see rainy days, as some foreigners predicted, in terms of grain supply.

He said from April 1988, the state stored 10 million tons of grain more than it did the previous year. And during the period of April to November last year, the state purchased 5 million tons of grain more than the previous corresponding period and besides, 10 million net tons of grain will be imported, on the average level of recent years.

Hu continued, the past year saw a dip in grain production mainly because of natural disasters. For example, the major rice growing areas in southern China were slugged by drought, flood and other disasters, which caused a reduction of 9.19 million tons of rice.

Statistics show that a total of 393.79 million tons of grain was harvested last year.

Since the founding of the People's Republic, China has always regarded agriculture as the basis of the national economy and grain as the basis of agriculture. The fact that one billion more people have enough to eat is generally considered a miracle worldwide, said Hu Ping.

Central-South Region

Shenzhen Steps Up Identity Card Checks

HK1301043989 Hong Kong ZHONGGUO TONGXUN
SHE in Chinese 0816 GMT 11 Jan 89

[Newsletter by reporter Fang Yuhan (2455 7183 1383): "Shenzhen Steps Up Checks on People Without Identity Cards or Passes, Regular Jobs, and Permanent Addresses"]

[Text] Hong Kong, 11 Jan (ZHONGGUO TONGXUN SHE)—A police force which looks like Hong Kong's Blue Beret police force has begun patrolling the passages of the Luohu Customhouse of the Shenzhen Special Economic Zone and the surrounding areas. Recently, the number of armed policemen in Shenzhen City has increased by a large margin. Everywhere on the street, one can see armed policemen stopping people and checking up on them to see whether they have identity cards or passes, regular jobs, and permanent addresses. The armed policemen in Shenzhen City perform their duty almost in the same way as the armed policemen in Hong Kong stop people to check up on them to see whether they are illegal immigrants.

Once people without identity cards or passes, regular jobs, and permanent addresses are found, they are sent immediately to a collecting post. After registration and investigation, people without identity cards or passes, regular jobs, and permanent addresses are sent back very quickly to the regions they come from. A security post of about 3 square meters at the gate of the Nanyang Commercial Bank in the center of the city is often filled with over 10 suspects, who are consequently carried away by a police van. However, the security post is again soon filled with another batch of suspects.

At noon last weekend, a middle-aged male suspect was beaten up publicly by three armed policemen because he refused to get in the police van after being investigated at the security post. As a result, a crowd of spectators surrounded the security post. Some spectators said: "The police should not beat up the man!" while others said: "Bad people should be beaten up!"

Hong Kong visitors coming to Shenzhen recently have discovered that the number of people who try illegally to buy foreign wine and cigarettes from Hong Kong visitors at higher prices has fallen greatly. These people have become more prudent than before in asking Hong Kong visitors to sell them foreign wine and cigarettes. Hinterland people who join "1-day tours of Shenzhen" have also found it extremely difficult to stay on in Shenzhen after the end of their tours because no hostels in Shenzhen will accept them, no matter whether they have legal credentials issued in the hinterland or not.

Our reporters tried to get some information regarding the above-mentioned recent developments in Shenzhen from the Shenzhen City Public Security Bureau. However, when

our reporters asked: "How many people without identity cards or passes, regular jobs, and permanent addresses have so far been deported from Shenzhen?" "How many people without identity cards or passes, regular jobs, and permanent addresses are suspected criminals?" "Apart from security purposes, does the deportation of these people have something to do with the current grain shortage in Shenzhen?" and some other questions, the officers there only said: "We have nothing to say on these questions" and "it is still inconvenient for us to talk about these questions at this moment."

The owner of a restaurant in Shenzhen told our reporters that he did not oppose deporting people without identity cards or passes, regular jobs, and permanent addresses, but was indeed worried about the consequent drop in his business volume.

New Hainan Newspaper To Cover Reform Conditions

HK1301014189 Beijing ZHONGGUO XINWEN
SHE in Chinese 1223 GMT 11 Jan 89

[Report: "A New Daily 'TEQU SHIBAO' SEZ TIMES Is Initiated Recently"—ZHONGGUO XINWEN SHE headline]

[Text] Haikou, 11 Jan (ZHONGGUO XINWEN SHE)—Recently, a new newspaper, TEQU SHIBAO [SPECIAL ECONOMIC ZONE TIMES], was initiated. The daily is oriented to providing comprehensive coverage of the conditions of reform and opening up in the five special economic zones.

This newspaper will mainly provide coverage of the achievements and experiences in the economic, scientific, technological, cultural, and educational fields in the special economic zones of Hainan, Shenzhen, Xiamen, Zhuhai, and Shantou, and will also provide some coverage of the affairs in various open coastal cities. This newspaper will also give expression to the academic and theoretical activities and social issues in the special economic zones and the open cities.

According to a responsible official of this newspaper, a new system will be adopted to manage this newspaper. The traditional employment and remuneration system of newspaper offices will be changed in order to encourage editors and reporters to gain fame.

It is learned that this newspaper is one of a small number of newspapers under the sponsorship of some enterprises.

Henan's Yang Xizong Cited on Reform Tasks

HK1201040989 Zhengzhou Henan Provincial Service
in Mandarin 2300 GMT 11 Jan 89

[Excerpts] Provincial Party Committee Secretary Yang Xizong has called on the province to continue to get a good grasp of deepening enterprise reforms as a cardinal link in 1989, seriously perfect the contract system, speed

up the reforms of the enterprises' internal mechanism, promote optimum composition in the enterprises, and thus ensure the steady development of the national economy.

Comrade Yang Xizong spoke at the provincial conference on planning and economic structural reforms on 11 January. He focused on deepening the enterprise reforms, harmonizing relations between party, administration, and workers in the enterprises, and strengthening the building of the enterprise party organizations. He said: Our repeated emphasis that enterprise reforms must be grasped as a focal task is, first of all, based on the current requirements of improvement and rectification. The most fundamental condition determining whether we can smoothly fulfill the tasks of improvement and rectification this year and next is to develop the economy and increase effective supply through deepening the reforms. Since the state is cutting capital construction and tightening credit this year and next, the enterprises can only overcome shortages of capital and energy, increased prices of raw materials, and lack of transport and smoothly get through the difficult pass if they deepen their reforms and boost their endurance and digestive capacity.

Comrade Yang Xizong said: It should be acknowledged that improving the economic environment and rectifying the economic order will certainly cause some new conditions and contradictions for enterprise reforms. However, we must also realize that improvement and rectification provide opportunities and favorable conditions for deepening these reforms. As improvement and rectification go deeper, problems that have long plagued the enterprises and have proved very difficult to cure, such as indiscriminate hiking of prices and imposition of charges, together with chaotic conditions in the circulation field, will be gradually resolved, and the external conditions for enterprise reforms will improve day-by-day. The slowing down of price reforms amid improvement and rectification will create conditions and energy for the enterprises to deepen internal reforms and improve management.

Improvement and rectification actually constitute an economic readjustment [tiao zheng]. Through improvement and rectification, we should truly cut unnecessary capital construction and products that are in ample supply and that are not readily marketable. This will provide favorable conditions for optimizing the industrial structure, the product mix, and the enterprise organizational structure.

Comrade Yang Xizong said: In the current improvement and rectification, we should further unify our thinking and bring our understanding into line with persevering in the productive forces criterion. Certain enterprises have wavered over reform measures found effective in the past, and dare not persevere in them. In the course of supervising and inspecting the enterprises, certain departments are not effective in supporting and protecting reform measures

that were originally beneficial for developing the productive forces. This shows that the problem of persevering in the productive forces criterion has not yet been properly resolved either in ideological understanding or in practical work. [passage omitted]

Comrade Yang Xizong said: The general demand on deepening enterprise reforms in Henan this year is to thoroughly implement the guideline on improving the economic environment, rectifying the economic order, and comprehensively deepening the reforms set by the 3d Plenary Session of the 13th CPC Central Committee, and seriously implement and institute the Enterprise Law and Bankruptcy Law. With the goal of invigorating the enterprises and improving economic results, and with the focus on establishing a self-management, self-responsibility for profit and loss, and self-constraint mechanism in the enterprises, we should continue to promote one contract, one link, two popularizations and two optimizations. Specifically, we should focus on getting a good grasp of the following tasks:

1. Continue to perfect and develop the contracted management responsibility system. [passage omitted] We should continue to promote and perfect the system of linking the total wage bill to economic returns.
2. Centered on improving product quality, lowering input consumption, and raising economic returns, do a good job in internal reforms in the enterprises. The main tasks in these reforms are to continue to popularize the full-load work method, the enterprise economic returns guarantee method, and other scientific management methods. We should actively advocate banks within the enterprises, and actively and steadily promote optimum labor composition.
3. Continue to promote optimum enterprise composition and readjust the enterprise and industrial structures.

On further harmonizing relations between the party, administration, and workers in the enterprises, Yang Xizong said that this is an important guarantee for the fulfillment of production operations tasks in the enterprises and is also a major content of deepening the enterprise reforms. Apart from fulfilling their production operations tasks, the enterprises must also become schools for cultivating talented people with four qualities and training a force of staff and workers, and turn into bases for building socialist spiritual civilization.

We must vigorously grasp the work of building the party organizations in the enterprises and give scope to the role of the party organizations and party members. We must strengthen and improve ideological and political work in the enterprises.

The fundamental goal and interest of the party, the administration, and the workers in the enterprises are identical. They must strengthen unity, help each other like people in the same boat, support each other, and work in concert to fulfill the tasks assigned by the party and state.

Yang Xizong also called on the party committees and government at all levels to strengthen leadership over the enterprise reforms and establish the idea of serving the enterprises. [passage omitted]

Governor Cheng Weigao spoke on questions of improvement and rectification, deepening the reforms, and on industrial production and construction.

Henan Governor Cheng Cited on Reform Tasks
HK1301015189 Zhengzhou Henan Provincial Service in Mandarin 1030 GMT 12 Jan 89

[Excerpts] Governor Cheng Weigao, speaking at the provincial conference on planning and economic structural reform, has called on the people of the whole province to further bring their thinking and action into line with the spirit of the 3d Plenary Session of the 13th CPC Central Committee, unswervingly do a good job in improvement and rectification, and press ahead with reforms and construction. He spoke at the meeting on 11 January. [passage omitted]

Cheng Weigao said: Since the Third Plenary Session, we have implemented seriously the series of principles, policies, and measures set by the CPC Central Committee and State Council and ensured an excellent start to improvement and rectification during the past 3 months and more. However, we must realize that this is only a start, and we are still very far from meeting the central demands. At present many comrades lack sufficient understanding of the rigors of the economic situation and of the importance and urgency of improvement and rectification. They lay too much stress on partial interests and fail to take sufficient consideration for overall interests. They have not yet truly summoned up resolve to carry out improvement and rectification. Some are waiting, worrying, and observing things; they always want to delay. They deal in a passive way with things on which they should take the initiative.

In addition, our work is in many respects unsuited to the many new conditions, problems, and contradictions that have appeared in current economic work. For instance, our guiding idea on industrial development does not suit the demand for improved economic returns; the product mix does not suit the demand for increasing effective supply; and the quality of enterprises does not suit the strict demands placed on them by improvement and rectification.

We must perceive these unsuitable factors soberly and take the initiative to hurry to change them instead of dealing with them in a passive way in the face of difficulties,

feeling at our wits end, or even grumbling that improvement and rectification have been launched too rapidly and sharply and that the demands set are too high.

In order to eliminate economic overheating, curb inflation, and solve problems of chaos in economic order, we must resolutely summon up resolve to carry out improvement and rectification. In order to increase effective supply and achieve sustained and steady development of the province's economy, we must further speed up the pace of deepening the reforms, promptly readjust the product mix, and devote great effort to improving economic returns.

Governor Cheng Weigao pointed out that the guiding idea for Henan's economic work this year is to firm up all improvement and rectification measures, focused on stabilizing prices, continue to promote the reforms, focused on enterprise reforms, and stimulate the sustained and steady development of the economy, an increase in effective supply, and market and social stability. We must therefore get a good grasp of the following major tasks:

1. We must regard ensuring that the price increases this year are markedly lower than last year as the general goal in all work and as the core of all economic work,
2. Resolutely cut investment in fixed assets and strictly control social demand.
3. Actively increase effective supply while carrying out readjustment, and do everything possible to stabilize the markets.
4. Work hard to increase income and economize expenditure and strive to achieve a balanced budget.
5. Make great efforts to straighten out the circulation field.
6. Strengthen financial management and make good use of credit and loan capital.
7. Vigorously step up the production, supply, and allocation of coal, electric power, transport, and raw materials, to ensure the normal progress of industrial and agricultural production.
8. Eliminate corruption and promote honest government, to ensure the smooth progress of improvement, rectification, reforms, and construction.

Governor Cheng Weigao stressed: It will be very difficult to ensure that this year's price rises are markedly lower than last year. However, no matter how great the difficulties, we must summon up resolve to control prices and do our work in line with the demands of this goal. Whether we can attain this goal is not only a major issue related to whether the party and government can gain the people's trust, to whether the overall situation can be held stable,

and to whether the people can remain mentally calm, but is also a severe test for the party committees and government in whether they can master the economic situation, bring their thinking into line with the spirit of the Third Plenary Session, and maintain unity with the CPC Central Committee. The leaders at all levels must therefore not have the slightest hesitation in controlling prices; they must regard the price problem as the core of all economic work and summon up the greatest resolve to handle it well. All reform and construction work this year must be subordinate to and serve this goal.

Cheng Weigao said in conclusion: In the final analysis, whether improvement and rectification can gain success and whether we can ensure effective supply, increase financial revenue, and ensure price, market, social, and mental stability amid conditions of tightening finances and credit, cutting investment in fixed assets, and controlling the growth of demand depend on deepening the enterprise reforms and improving economic returns. We must vigorously study and popularize advanced experiences in enterprise reforms and carry out the reforms with specific aims in view. [passage omitted]

Hubei To Give More Publicity to Family Planning
HK1201153289 Wuhan Hubei Provincial Service
in Mandarin 1000 GMT 11 Jan 89

[Text] The Hubei Provincial CPC Committee Propaganda Department and the Provincial Family Planning Commission issued a joint circular recently, calling on all localities to publicize family planning in a vivid but solid manner in the spirit of the circular on unfolding the activities of publicizing family planning this winter and next spring, issued jointly at the end of 1988 by the CPC Central Committee Propaganda Department and the State Family Planning Commission.

The circular issued jointly by the CPC Central Committee Family Planning Department and the State Family Planning Commission points out: The population growth situation in our country is grim. Since 1986 the natural population growth rate has risen continuously. To draw the prompt attention of the whole party and the entire people to the issue of our population, all localities must seriously unfold the activities of publicizing family planning this winter and next spring, in coordination with education in current affairs. The circular notes that it is necessary to publicize family planning in an all-around way and with accuracy, and the activities of publicizing must be carried out effectively in a solid and deep-going way. In the rural areas, stress must be placed on areas where family planning work is not carried out well and where there is a prevailing tendency toward early marriage, early child-bearing, and extra-budgetary births. In cities, publicity and education must be conducted especially among the transient population, individual households, and jobless households. During the period of publicity, large-scale street-corner publicity activities must be carried out in cities and towns so as to create strong public opinion and to combine the

endeavor to publicize current affairs and policies with the effort to popularize knowledge about contraception and birth control, to execute measures of contraception and birth control, and to establish family planning associations in the countryside.

Southwest Region

Guizhou Party Leader Previews Tasks for 1989
HK1201015989 Guiyang Guizhou Provincial Service
in Mandarin 2300 GMT 11 Jan 89

[Excerpts] The fifth meeting of the Standing Committee of the sixth Guizhou Provincial CPPCC opened in Guiyang on 11 January, Chairman Miao Chunting presided. [passage omitted]

Guizhou Provincial CPC Committee Secretary Liu Zhengwei reported to the meeting on the provincial party committee's basic thinking and decisions concerning for this year. He said that, in sum, this year's work will consist of continuing to thoroughly and comprehensively implement the spirit of the Third Plenary Session and various meetings of the provincial party committee and government. Improvement and rectification will be regarded as the focal point in reform and construction.

Liu Zhengwei said: The provincial party committee is preparing to tackle the following tasks during the first half of the year: 1) Act unswervingly in carrying out improvements and rectification while steadily developing the economy. 2) Do everything possible to reap a good agricultural harvest. 3) Continue to deepen the economic structural reforms. 4) Strive to ensure that price increases are markedly lower than last year. 5) Concentrate efforts on the focal points. 6) Unfold education in the current situation and do a good job. 7) Get a good grasp of disaster relief work. 8) Do a good job in public security. 9) Continue to control population growth. 10) Strengthen leadership over all working areas.

Liu Zhengwei expressed the hope that the CPPCC will continue to assist the party committees and government in promoting improvement, rectification, and reforms in the province. [passage omitted]

Yunnan Improves Minority Nationalities Work
HK1301044589 Kunming Yunnan Provincial Service
in Mandarin 1100 GMT 12 Jan 89

[Text] A provincial commendation meeting for nationality unity and progress, which is scheduled to be held in January, has been canceled. The decision was declared by Provincial Party Committee Secretary Pu Chaozhu on 10 January while he was attending a forum on minority nationalities work, ethnic education and providing for the needy.

After the provincial government decided to hold a provincial commendation meeting for nationalities unity and progress, some comrades suggested to the the

provincial party committee and government that the meeting solve some essential problems in minority nationalities work and not simply present awards.

Adopting the suggestion, the provincial party committee and government reconsidered the decision and suggested that no commendation meeting be held on its own. In addition a group of theoretical research fellows for minority nationalities work and comrades engaged in practical work in the minority areas of our province will be organized to carry out an investigations and study. Then, a provincial minority nationalities work meeting will be held between June and July this year to solve practical problems, at which some advanced collectives and individuals in minority nationalities work will also be commended.

Tibet Secretary Leaves To Assume New Post
HK1301011989 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1215 GMT 12 Jan 89

[Report: "Hu Jintao Leaves For Tibet To Assume New Office"—ZHONGGUO TONGXUN SHE headline]

[Text] Beijing, 12 Jan (ZHONGGUO TONGXUN SHE)—The newly appointed secretary of the Tibet Autonomous Regional CPC Committee, Hu Jintao, left Beijing by plane this morning for Tibet to assume his new office.

Hu Jintao, aged 46, currently the youngest provincial secretary of the CPC, is the sixth secretary of the Tibet Autonomous Regional CPC Committee, following Zhang Guohua, Zeng Yongya, Ren Rong, Yin Fatang, and Wu Jinghua.

The current change in the secretaryship of the Tibet Regional party committee is primarily related to the health of the former secretary of the Tibet party committee, Wu Jinghua. Due to a frigidly cold climate, the lack of oxygen, plus being overworked for a long period of time, Wu Jinghua suffered a sudden heart attack while presiding over a meeting in June last year, and later returned to Beijing for medical treatment. Currently he remains in the Beijing Hospital.

Not long ago, all members of the Standing Committee of the Tibet Autonomous Regional CPC Committee were called to Beijing for a meeting, and the higher echelons of the CPC fully affirmed the fruitful work done by Wu Jinghua during his tenure of office in Tibet in implementing the policies concerning nationality, religion, and united front work. The central government also plans to allocate 200 million yuan in funds for Tibet's policy implementation work.

Changes in Taiwan Strait Relations Noted
OWI201130989 Hong Kong LIAOWANG OVERSEAS
EDITION in Chinese No 1, 2 Jan 89 pp 21-22

[Article by Yang Yuanhu (2799 6678 5706): "Specialists and Scholars on the Decade-Long Changes in the Relations Between the Two Sides and the Prospects for Development—Notes on the 10-Year Development of Relations Between the Two Sides Symposium"]

[Text] What kinds of changes and development have the relations between the two sides of the Taiwan Strait undergone in the past decade? How did these changes and development come about? What will be the trend of development in the next 10 years? On the occasion of the 10th anniversary of the "Message to the Compatriots of Taiwan," the "10-year development of relations between the two sides of the strait" symposium sponsored by the Institute of Taiwan Studies under the Chinese Academy of Social Sciences carried out a heated debate on these questions. More than 40 experts and scholars expressed and exchanged their views. Some of them presented quite refreshing opinions.

How To Analyze and Assess the 10-Year Development of Relations Between the Two Sides

The participating scholars analyzed from different angles the changes and development in the relations between the two sides over the past 10 years. Yao Yiping, a deputy research fellow with the Institute of Taiwan Studies, held that the 10 years from 1979 to 1988 were marked by easing of tension, improvement, and a major breakthrough in the relations between the two sides since the Chinese Communists laid down the policy of peaceful unification of the motherland. Looking back on the evolution of relations between the two sides in the past 40 years, he held that there were four factors affecting these relations: First, the U.S. policy toward China (including the policy toward Taiwan); second, mainland China's political and economic situation and its policy toward Taiwan; third, the appeal that Taiwan's economic situation and the changes in its social structure have for the people; and fourth, the changes in the Kuomintang's internal power structure and its mainland policy. The mainland factor is the leading one among the four factors. A review of the changes in the past 40 years indicates that a transition from strain to relaxation, from stand-off to contact, and from confrontation to indirect dialogue have been the basic trend in the development of relations between the two sides.

Chen Jianwu, associate researcher of the Beijing Society of International Strategic Issues, gave the following assessment on the development of relations between the two sides over the past decade: The closure of the strait has gradually been lifted and relaxation and development of relations between the two sides have brought about a new situation characterized by growing exchanges and contacts on a broader scale. He divided the development of relations between the two sides into

three stages. The first stage is from 1979 to 1980, during which the two sides were still closed to each other. In the second stage, from 1981 to 1985, relations between the two sides began to thaw. In March 1981 the Kuomintang put forth a political slogan of "reunifying China under the three principles of the people," and began to show a subtle change and relaxation in the strategy and practice of the Taiwan authorities' mainland policy. In the third stage, from the beginning of 1986 to the present, the first step in direct contacts between the two sides was taken. The 3d Plenum of the 12th Kuomintang Central Committee held in March 1986 decided to promote a six-point political reform, gradually readjusting domestic and foreign policies, and applying the "three no's policy" with flexibility. In November 1987, the ban on family visits to the mainland was partially lifted.

The scholars also held in-depth discussions on the characteristics of the development of relations between the two sides over the past decade. Tang Yi, a member of the Society of Taiwan Studies, said: The ruling authorities of both sides have implemented a peaceful, rational policy of seeking political settlement. The growing economic and cultural exchanges between nongovernmental circles of the two sides have, in fact, created the necessary conditions for political settlement. This, however, is far short of holding political negotiations. Overall, relations between the two sides are still unstable, with big fluctuations caused mainly, first, by the differences of opinion among policy-makers and functioning departments of the Taiwan authorities and, second, the inability of the mainland to adapt its Taiwan policy to the changes in the situation.

As far as the relationship between nongovernmental exchanges and official contacts is concerned, Yao Yiping expressed the following view: Nongovernmental exchanges and official contacts are two interrelated concepts at different levels. The former is not identical with, but can influence, the latter. From a long-range, overall point of view, the growth of nongovernmental exchanges can help enhance mutual understanding and, to a certain extent, create a favorable atmosphere and climate for official contacts and negotiations. Contacts between the ruling authorities of the two sides will be conducive to dispelling misunderstanding, increasing common understanding, and thus facilitating the undertaking of peaceful reunification of the country.

Economic and Trade Relations Between the Two Sides Have Entered a New Period of Development in Both Trade and Investment

The participating scholars believe that substantial and noteworthy achievements have been made in the development of economic and trade relations between the two sides over the past 10 years. Economic exchanges have benefited both sides and played a positive role in increasing mutual understanding, especially Taiwan's understanding of the mainland. The growing economic and

trade relations will have a far-reaching impact on the economic development of each side as well as the relaxation of relations between them.

A thesis submitted to the symposium by Liu Yingxian, associate researcher, and Jiang Lingzhi, assistant researcher of the Institute of Taiwan Studies, and entitled "Review and Future Prospect of the Decade-Long Economic and Trade Relations Between the Two Sides," divides the development of economic and trade relations into three stages. The first or initial stage is from 1978 to 1983, during which the annual trade volume averaged only U.S.\$246 million. In the second developmental stage, from 1984 to 1986, the annual trade volume averaged U.S.\$870 million, equivalent to 3.5 times that in the previous stage. In the third stage, from 1987 to the present, the trade developed at a faster pace. Entrepot trade through Hong Kong reached U.S.\$1.521 billion in 1987, and is expected to exceed U.S.\$2.5 billion in 1988. During this stage, there has been a rush in Taiwan to invest in the mainland. According to incomplete statistics, businessmen from Taiwan have so far set up nearly 200 factories in the mainland, with a total investment of U.S.\$200 million.

The two scholars summarized the process of development of economic and trade relations between the two sides roughly as follows: One-way entrepot trade spurred two-way entrepot trade; entrepot trade stimulated all-around expansion of investment, technical cooperation, and economic and trade relations; economic and trade relations promoted academic, cultural, and sports personnel exchanges.

Analyzing the forces propelling the development of economic and trade relations, they said: First of all, changes in the global and Asia-Pacific regional economic patterns have gradually brought about closer economic interests between the two sides. Second, the mainland's economic and trade policy toward Taiwan has led to a wholesome development of economic and trade relations between the two sides. Third, the Taiwan authorities' relaxation of their mainland policy has, to a certain extent, promoted the development of economic and trade relations. Through a process of "strict ban—tacit approval—open declaration," the Taiwan authorities have gradually relaxed their mainland policy and provided some favorable conditions for continuing the development of economic and trade relations. However, the Taiwan authorities' policy and attitude continue to be the main obstacles to achieving normalization of economic and trade relations between the two sides, while the current investment climate in the mainland poses practical problems impeding in-depth development of economic and trade relations.

The two scholars also made the following suggestions for promoting wholesome, steady development of economic and trade relations between the two sides: 1) two-way personnel and commodity exchanges should be facilitated, and investment and economic and trade relations

should be developed simultaneously; 2) a new order should be established in economic and trade relations, that is, the indirect, one-way trade should be changed into direct, two-way trade; the trade pattern focused mainly on entrepot trade should be replaced by one focused mainly on investment and technology transfer; and laws and statutes independent of each other should be unified into a coordinated rudimentary law; 3) the two sides should join hands in actively participating in international economic cooperation.

Looking into the development of economic and trade relations in the next decade, the participating scholars made an initial exploration of the concept of a "Chinese economic sphere." In his thesis "An Initial Exploration of a 'Chinese Economic Sphere,'" Zhou Zhihui, assistant researcher of the Institute of Taiwan Studies, said: The concept of a "Chinese economic sphere" defines the first steps to be taken by a peaceful, unified, and advancing China. Before conditions for China's reunification have completely ripened, efforts may be made to develop mutual economic and trade relations, seeking common ground on major economic issues while reserving political differences. When the mainland, Taiwan, Hong Kong, and Macao join hands and form a "Chinese economic sphere," China will be able to change its position in global economic development and exert far-reaching influence on the pattern of global economic development.

Prospects for Development of Relations Between the Two Sides

Zhao Baoxun, professor of Beijing University, said: In reflecting on the development of relations between the two sides over the past 10 years, the mainland should summarize its experience and draw lessons in making policy decisions. First, it is necessary to guard against impetuosity and avoid "haste that makes waste" in developing relations between the two sides. Second, it is necessary to obtain a thorough and comprehensive understanding of the situation and carry out academic studies realistically and by using independent thinking.

An important lesson, Tang Yi pointed out, is not to overemphasize the opportunity at the expense of neglecting the conditions for reunification. Scholars should attach importance to exploring and studying the question of conditions for reunification, such as whether the conditions for reunification exist, when they will ripen, how the variables in Taiwan's political situation can be judged correctly, and so on. At the same time, it is also necessary to study ways to accurately grasp the opportunity.

Li Jiaquan, deputy head and researcher of the Institute of Taiwan Studies, said: The "Message to the Compatriots of Taiwan," issued immediately after the 3d Plenary Session of the 11th CPC Central Committee, reflected a

major change in the CPC's policy toward Taiwan. Influenced by the CPC's principle of peaceful reunification of the motherland, relations between the two sides have relaxed over the past 10 years. Overall, however, much remains to be done. If the past 10 years have been a decade of relaxation and thaw in the relations between the two sides, the next decade should be one of communication, dialogue, and moving toward reunification. He said: The current situation in Taiwan appears rather complicated, but we should have confidence in seeing the light and hope in it.

Chen Jianwu said: I am optimistic about the development of relations between the two sides, although the road is a tortuous one. The mainland, which is a decisive factor in developing the relations, should increase its political and economic appeal.

In view of the situation on the island of Taiwan and the new trend in the development of relations between the two sides, the participating scholars expressed their views on the CPC's policy toward Taiwan. Li Jiaquan called for focusing the mainland's policy on the people in Taiwan.

As for the CPC's "one country, two systems" proposal to achieve peaceful reunification of the motherland, Li Jiaquan said in his thesis, "A Re-exploration of the Formula for Unifying Taiwan With the Mainland," that the "one country, two systems" formula is only a framework and principle, and that it can be further worked out and improved. Other scholars held that to achieve peaceful reunification with the "one country, two systems" formula, it is necessary to further explore and study the new circumstances and problems that crop up.

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